Daily Report

Latin America

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SELA, ALADI Sign Memo of Understanding in Montevideo

PY1112191995 Buenos Aires TELAM in Spanish 1923 GMT 8 Dec 95

[FBIS Translated Text] Montevideo, 8 Dec (TELAM-SEM) — The Latin American Economic System (SELA) and the Latin American Integration Association (ALADI) today signed a memorandum of understanding to initiate a cooperation program between the two organizations.

The memorandum of understanding, which was signed by SELA Permanent Secretary Carlos Moneta and ALADI Secretary General Antonio Antunes, establishes a 90-day period for specifying the terms of the cooperation program.

The memorandum of understanding was signed at the Uruguayan Government House in Montevideo, in the presence of Uruguayan President Julio Maria Sanguinetti.

In the memorandum of understanding, the two sides, which have been linked by a general cooperation agreement since 1981, committed themselves to organize the Second Latin American and Caribbean Trade Policy Government Experts Meeting, a meeting involving the secretaries of regional cooperation and integration organizations.

SELA and ALADI also agreed to conduct joint efforts to expand the Foreign Trade Information and Support Integral System [Sistema Integral de Informacion y Apoyo al Comercio Exterior] to all Latin American and Caribbean countries and join efforts to integrally and increasingly use the media for promoting integration.

Cuba To Join Educational, Scientific Organization

PY1112210895 Madrid EFE in Spanish 2034 GMT 9 Dec 95

[FBIS Translated Excerpt] Quito, 9 Dec (EFE) — The education ministers of member countries of the Andres Bello Agreement who met today in Quito, have decided to accept the Cuban petition to join this organization dedicated to education, scientific, technological, and cultural integration.

Spanish Education Minister Jeronimo Saavedra has told EFE that the delegates of Bolivia, Colombia, Chile, Spain, Panama, Peru, and Venezuela have authorized the Executive Secretariat of the agreement to convey to the Cuban officials "the consensus" with which the education ministers who are meeting in Quito "see the extension of the agreement to Cuba."

The Cuban adherence must be formally approved by the 19th meeting of the education ministers which will be held in Santa Cruz, Bolivia in May 1997, the Spanish minister added.

Pedro Henriquez Guajardo, Executive Secretary of the organization who was reelected in his post, has told EFE that the agreement is open for expansion, and for this reason the Quito conference has approved the conditions for new memberships. [passage omitted]

The Andres Bello Agreement was created some 25 years ago for integration in the education, scientific, technological, and cultural fields for the Governments of Bolivia, Peru, and Venezuela, and was later extended to Colombia, Chile, Ecuador, Spain, and Panama.

Outgoing Brazilian MOMEP Coordinator Replaced

PY1212023995 Madrid EFE in Spanish 1913 GMT 11 Dec 95

[FBIS Translated Text] Quito, 11 Dec (EFE) — The Ecuadoran Armed Forces today decorated Brazilian General Marcelo Dos Santos, who today was replaced by his fellow countryman Francisco Roberto Albuquerque as head of the Ecuador-Peru Military Observers Mission (MOMEP).

Dos Santos, who said that the conditions "are appropriate" for the governments of Quito and Lima to directly negotiate their border problem, was decorated with the Armed Forces Star for Military Merit.

Albuquerque will lead the MOMEP, which comprises officers from countries members of the Rio de Janeiro Protocol (Argentina, Brazil, Chile, and the United States), which will gradually receive the military officers from Ecuador and Peru.

According to the mission's timetable, 50 percent of the officers who currently make up the MOMEP will be replaced by representatives of the two countries in conflict by next February.

Ecuador and Peru, which currently respect the peace agreement, confronted each other in the undeclared war between January and February 1995 over a historical territorial dispute on their common Amazon border.

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Cuba

Further Reportage on Castro's Official Visit to SRV

Visits Former Guerrilla Base

PA1112231995 Havana Radio Rebelde Network in Spanish 1800 GMT 11 Dec 95

[From the "National Radio News" newscast]

[FBIS Translated Text] This Monday, the fourth day of his visit to the SRV, Commander in Chief Fidel Castro fulfilled a tiring but fruitful program in the southern part of that Indo-China nation. Special correspondent Raul Menchaca gives us details:

[Menchaca] Fidel visited some parts of the 250 km stretch of the Cu Chi tunnels complex, a former guerrilla underground base that never fell into enemy hands. That system of tunnels, which began to be built in 1948, was totally excavated by hand to confront first the French and then the U.S. invaders.

Fidel said that Cu Chi, which is located about 75 km south of Ho Chi Minh City, is a good example of how the perseverance and shrewdness of the Vietnamese guerrillas was able to wipe out U.S. power and technology. The Cuban delegation, presided over by Commander in Chief Fidel Castro, also visited today the (No Ton) Sugar Mill in Tay Ninh Province, built with Cuban technology and guidance. There, more than 150 km south of Ho Chi Minh City, Fidel talked briefly with the seven Cuban technicians who are now cooperating in the expansion of the sugar mill's grinding capacity.

This sugar mill, which is one of the most efficient in Vietnam, after the remodeling will be able to grind 1,000 metric tons of sugarcane daily, twice what it processes today. Fidel expressed interest in the yield, varieties, and other details of the sugar production process, an area in which the Vietnamese hope to meet local demand by the end of the year.

Says Impact of SRV Victory Remains

PA0812173995 Havana PRENSA LATINA in Spanish 1204 GMT 8 Dec 95

[Report by Roberto Gili Colon]

[FBIS Translated Text] Hanoi, 8 Dec (PL) — President Fidel Castro today affirmed in Hanoi that Vietnam's victory over the U.S. assault (1964-1975) still makes an impact on the world and that it greatly helped the struggle of other nations, including Cuba.

"The U.S. defeat in Vietnam prevented similar adventures against other countries, and Cuba probably would have been invaded next," Castro said shortly after arriving in Hanoi, during a frank and pleasant conversation with top Vietnamese leaders.

Castro received a beautiful and unique welcome on the presidential palace's front esplanade, where dozens of youths lining his way on both sides threw red rose petals as he walked toward the entrance.

Do Muoi, secretary general of the Vietnamese Communist Party (VCP), President Le Duc Anh, and Prime Minister Vo Van Kiet, in a moment considered unusual because the three of them were present, awaited Castro at the doors of the seat of government and headed the celebration.

Castro greeted members of the VCP Politburo, government, and mass and social organizations, who gathered there to welcome him.

Accompanied by Do Muoi, Castro later walked over to the center of the esplanade where they listened — Castro standing at military salute — to the national anthems of the two countries.

Minutes later, in the vast reception hall for distinguished guests of the old mansion of European architecture, beautifully decorated for the occasion, Castro sat next to Do Muoi, and Le Duc Anh and Vo Van Kiet sat on either side of them.

"We owe our victory not only to our people's efforts but also to the support received from brothers and friends, especially from Cuba," Do Muoi stated during the conversation, during which the issue of the epic of the North American aggression took up a long time.

"You visited Vietnam 22 years ago, precisely when our fight was beginning its last phase. In addition, you toured our battle front beyond the 17th parallel," he added in allusion to Fidel Castro's stay here from 12 to 17 September 1973.

"That visit constituted a big encouragement for our Army, party, and people, who were absolutely willing to defeat the enemy," Du Muoi remarked, immediately adding:

"That task was fulfilled to a large extent because of the support, encouragement, and help we received from the Cuban Communist Party, government, and people and from you personally.

"We think," he went on, "that you must be pleased with the results, which you can now see in our united Vietnam that you will be able to visit this time."

Meanwhile, the top leader of the Latin American nation pointed out that "this is an opportunity to visit a people toward which I feel affection... I am truly happy.

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"When Vietnam was fighting, it was also doing it for the independence and freedom of other peoples, including the Cuban people. That victory helped a great deal," he stressed.

Castro also said that "we are now meeting in a free and united Vietnam, which is something that seemed impossible 25 or 30 years ago, when it was facing the most powerful nation in history."

Jose Luis Rodriguez, Council of Ministers vice president and economy and planning minister; Jose M. Millar and Felipe Perez Roque, Council of State members; Deputy Foreign Relations Minister Isabel Allende; and Jose Luis Robaina, an official of the Central Committee of the Communist Party of Cuba, accompanied Castro on this trip.

During their stay here, the Cuban Government delegation will hold official talks and will tour centers and works of historical and economic interest in northern and southern regions, including Ho Chi Minh City (formerly Saigon).

Session on Possible Cooperation Accord With EU Held

PA1012231295 Havana Radio Havana Cuba in Spanish 0000 GMT 5 Dec 95

[Report by Orlando Matos; from the "Evening Information Review" newscast]

[FBIS Translated Text] [Matos] The Cuba Economic Changes and Cooperation with the EU conference began last Monday, and its business session will continue until 7 December. This event theoretically follows up Cuban-European ties, whose economic aspects have greatly increased lately. About 100 European and Cuban delegates are participating, including intellectuals, government officials, businessmen, and lawmakers. It has been organized by the Chamber of Commerce and the Institute for European-Latin American Relations from Madrid, and has been sponsored by the European Commission.

This important meeting will consist of reports and debates on Cuba's economic strategy, foreign investments, trade, the role of the banking sector, and cooperation prospects between the EU and the island.

At the inauguration of this conference, Ernesto Melendez, Cuban minister for foreign investment and economic cooperation, referred to Cuba's achievements in its reintroduction into the world's economy, its integration into the Latin American region, and its aspirations to extend similar projects into the European region.

[Begin Melendez recording] We have the same aspirations regarding Europe not only as to bilateral ties, but including multilateral efforts. These efforts are already being made. We have been witnesses thereof at a meeting with the commission that expects to formalize our cooperation ties with the EU. I should say that Europe plays a key role in these efforts and this decision to strengthen our ties with the world. We should reiterate that during these years, we have seen that this tenacity has been successful and has made achievements. However, we should reiterate that we are not satisfied yet and that we believe there is a long way to go and a lot to gain from our bilateral relations.

[Matos] At the inauguration, Spanish Ambassador Eduardo Mirapeix y Martinez stressed the timing of this meeting right after talks with Cuba have begun regarding the possible signing of a cooperation agreement.

[Mirapeix y Martinez] It is within this context of strengthening relations with Ibero-America that efforts are being made to incorporate Cuba into the list of Ibero-American countries with cooperation agreements with the EU. A few weeks ago, a three-man team visited Havana to begin talks about existing possibilities. The EU countries have begun this process motivated by their desire to correct the anomaly arising from the fact that Cuba is the only Ibero-American country that does have a cooperation agreement with us. Moreover, they did so, however, encouraged by the ongoing process of economic and institutional reforms. The confidence in the prospects for deeper reforms should have a positive effect in the spirit of those responsible in Europe.

[Matos] Meanwhile, (Mendel Goldstein), chief of the European Commission unit for Mexico, Central America, and Cuba, pointed to the qualitative development of exchanges as proof of stronger bilateral relations.

[Goldstein] The EU's cooperation has also expanded and diversified from the humanitarian aid to a rather significant increase in economic cooperation in key sectors to support ways for Cuba's economic opening. In addition, a much stronger activity has been noticed on the part of nongovernmental European organizations in this country.

[Matos] Carlos Martinez Salsamendi, president of the Cuban Chamber of Commerce, concentrated his attention on highlighting the economic aspects of these ties and reported that beyond the specialized debate, this event will promote business talks that are no less important.

[Martinez Salsamendi] It is important to stress how greatly the exchanges and relations with Europe have increased. You will hear about figures of 30 percent as to

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the current European participation in Cuba's total trade. You will hear about investments and their increase. You will hear about banking representations, none of which existed in 1993 when this event took place. In 1993, there were 154 European representations out of 496 direct representations of foreign companies. Today, out of 610 representations, there are 223 European ones, of which 193 belong to EU member countries. The participation at the Havana fair has been ever increasing. We should stress also the ever-increasing presence of an EU section. Cuba now participates in [word indistinct] programs and vice versa. When you were here before, we did not have access yet to these programs. The commission has recently approved the creation of a Euro Center in Cuba. To this end, we are already working so that it is established in January 1996. [end recording]

[Matos] Precisely this Tuesday, the theoretical sessions will end, and the conference will assume a purely business function, including an estimate of approximately 100 meetings among European and Cuban businessmen. This was Orlando Matos reporting.

Commentary Denies EU 'Conditions' for Trade Ties

PA1012221995 Havana Radio Havana Cuba in Spanish 0000 GMT 9 Dec 95

["Radio Havana Cuba Comments" by Norberto Hernandez; from the "Evening Information Review"]

[FBIS Translated Text] Many people are asking themselves if the current dialogue between Cuba and the European Union [EU] will result in a fruitful bilateral agreement in view of the slowness with which the matter is moving along following recent talks held between both sides in Havana.

As is well known, an EU delegation, headed by Spanish minister (Diago Pico de Cuane) held talks with Cuban authorities about the possibility of signing a bilateral agreement that could considerably expand relations beteen Cuba and Western Europe.

Certain enemies of the Cuban Revolution began spreading rumors about alleged conditions imposed by Europe on the Cuban Revolutionary Government to sign this agreement.

The conditions that the media said the EU was demanding were practically the same ones demanded by the U.S. Government, such as the introduction of a multiparty system and a representative democracy, in a word, the annihilation of the revolution and the return of blatant capitalism.

EU spokesmen denied such rumors and not only ratified their condemnation of the U.S. trade and financial blockade, which the United States has imposed on Cuba for the past three decades, but have been more than explicit in their rejection of the Helms-Burton bill, which the U.S. Congress is currently discussing to considerably tighten the blockade and impose sanctions on the countries that continue to trade with the island after the law goes into effect.

A meeting of 70 bankers, businessmen, and European deputies was recently held in the Cuban capital to discuss different aspects of the relations between the EU and Cuba. Following the meeting, the president of the Europe-Latin America Relations Institute, (Wolf Grabendorf), told Cuban and foreign media that there are steps that can be taken to accelerate the signing of the cooperation agreement. The signing of the agreement could be delayed considering the number and level of consultations that are necessary within the EU, which comprises 15 nations of the old continent.

(Grabendorf) said the atmosphere is highly positive for the signing of the agreement and that it is possible to carry out various activities if one takes into account that as a union of countries, the EU is Cuba's leading trade partner with a level of trade that reached almost $1.5 billion last year.

Meanwhile, Carlos Martinez Salsamendi, president of the Cuban Chamber of Commerce, said the signing of the agreement between his country and the EU could facilitate the financing of important trade activities as well as an access to preferences, which the EU grants to countries with this type of agreement.

The Washington Government looks with justified concern at the possibility of a cooperation agreement between the EU and Cuba materializing because it further removes eventual U.S. participation in future investments in the Cuban economy, which are currently closed off by the blockade that cannot achieve the political results the United States wants to impose on the Cuban Government.

Representative on EU Donation for Urban Agriculture

PA0812122095 Havana Radio Rebelde Network in Spanish 1800 GMT 5 Dec 95

[From the "National Radio News" newscast]

[FBIS Translated Text] The results obtained by the people's orchards [huertos populares] in Cohimar and Habana del Este — in northern Havana City —are being presented in the first international meeting on urban agriculture and its impact on the communities' food supply. The meeting continues and correspondent Margarita Torres has details.

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[Begin recording] [Torres] Over 200 people from Cohimar and Habana del Este — most of which are retirees — were given land in usufruct by the government. They were given approximately 30 hectares to grow tubers and vegetables. Fundamentally, they grow yucca due to the soil's characteristics. These workers organized themselves in to so-called urban farmers clubs. Through these clubs they receive technical advise, given by specialists from the Agriculture Ministry. This has brought about a gradual increase in production results. From almost no results between 1990-91, to this year, when they will close with over 60 quintals per hectare. According to Juan Rene Rodriguez, engineer and the Agriculture Ministry's representative in the People's Governments of Cohimar and Habana del Este, obtaining enough tools was a problem that today is almost nonexistent.

[Rene] Now, this group of urban farmers — as I said before, who make up this club — have received a donation from the European Union. To be more exact, from Agro Action [as heard] in Germany and from the Cuban Livestock Production Association. The donation is 12 different types of working implements to promote and stimulate the work of the urban farmers.

[Torres] Rene also pointed out that the people's orchards in Cohimar and Habana del Este prove that the development of urban agriculture is economically feasible and beneficial. Not only as a food source for the neighbors, but it is also a way of protecting the environment. [end recording]

Foreign Minister 'Pleased' With PLO Minister's Visit

PA0812215195 Havana PRENSA LATINA in Spanish 2213 GMT 5 Dec 95

[FBIS Translated Text] Havana, 5 Nov [date as received] (PL) — Foreign Relations Minister Roberto Robaina said he is pleased with having welcomed his Palestinian colleague, Faruq Qaddumi, with whom he held an official meeting within the framework of a visit to the island that started on 2 December.

Following a warm welcome, Robaina explained that the talks are official, as the ones the two parties have been holding for a few years, which is an evident allusion to the support Havana have expressed for the efforts to have the international community recognize the Palestinian State.

The chief of the Cuban diplomacy added that he was personally pleased to welcome Qaddumi, "as well as all those who visit the country during these difficult times to witness the people's resistance to the difficulties it is facing."

Many nations, he added, have cooperated "with the 11 millio[illegible]ubans who have not renounced socialism and who are willing to keep moving forward through the selected path."

Earlier, the Palestinian foreign minister and his delegation, made up by political advisers, laid a floral wreath at the statue of national hero Jose Marti located in Havana's Revolution Square.

According to the approved working agenda, to which PRENSA LATINA had access, the guest will meet with Jose Ramon Balaguer, who is a member of the Politburo of the Communist Party of Cuba in charge of the international relations and the ideological arena.

Among other activities, Minister Qaddumi, who also heads the PLO political department, will hold a news conference on the Near East's situation and will be the subject of a homage at the Cuban Arab Union.

Raul Castro Meets PLO Foreign Affairs Minister

PA1012010595 Havana Tele Rebelde and Cuba Vision Networks in Spanish 0100 GMT 7 Dec 95

[Report by Gladys Rubio; from the "NTV" newscast]

[FBIS Translated Text] During a recess of the FEEM [Federation of Secondary School Students] Congress at the Convention Palace, Army General Raul Castro met with Palestinian Foreign Affairs Minister Faruq Qaddumi, who is ending his visit to the island today. Party and government leaders also attended this meeting where current international topics were discussed. The Palestinian foreign affairs minister expressed his satisfaction with his visit to Cuba.

A few hours earlier, Faruq Qaddumi had visited the Carlos J. Finlay Institute and the science complex in western Havana. Concepcion Campa, director of the Carlos J. Finlay Institute, gave him details on the advancements that had been made in the research, development, and production of vaccines.

Robaina Views Ties With Mexico, Central America

PA0812235295 Havana PRENSA LATINA in Spanish 2206 GMT 2 Dec 95

[By Pablo Palomo Reyna]

[FBIS Translated Text] Guatemala City, 2 Dec (NOTIMEX) — Foreign Minister Roberto Robaina talked about the "degree of rapprochement of his country with Mexico because it has been fundamental for Cuba's participation in the inter-American community.

"I could not say the relations between Mexico and Cuba are going through their best moments because

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there have been nothing but good moments in our bilateral relations," Robaina said in an interview with NOTIMEX.

The Cuban official participated in the First Meeting of the Council of Ministers of the Association of Caribbean States (AES), which with the participation of foreign ministers and delegates of the 25 member countries, held its sessions in this capital on 30 November and 1 December.

He said, "Even during the worst moments Cuba has experienced, we have not lacked Mexico's understanding, respect, and communication. The more difficult the moment has been, the more present Mexico has been," he said.

He said this has made relations between the two countries "tremendously special."

The chief of Cuban diplomacy said Mexican support has been important for Cuba's participation in regional forums and its firm reinsertion into the inter-American community.

He said the government of Fidel Castro hopes to resume diplomatic relations with the Central American nations, but he said there are no plans to speed up decisions in this regard.

"Aspirations and interests do exist," what happens is that both elements are not always enough to restore relations and work must be done to create the necessary conditions, Robaina said.

He said that, for the time being, the greatest progress with Central America can be made in the area of mutual understanding in an effort to lay the groundwork for future relations in the diplomatic field.

Robaina said that Cuba "maintains a level of relations," the content of which he did not specify, with Costa Rica, and while initial steps are being taken with the rest of the Central American nations, Cuba "is not desperate to accelerate processes (to achieve diplomatic relations)," because these must be attained "naturally" and in accordance to the characteristics and internal conditions of each country.

He said that as far as Cuba is concerned, "there is absolutely no problem in restoring these relations, but I believe it depends on the way the countries can respond to the need" to normalize relations between the Caribbean island and Central America.

The Central American countries severed diplomatic relations with Cuba during the early 1960's.

Local analysts were speculating with regard to the bilateral contacts made by the Cuban foreign minister and Guatemalan authorities, within the framework of the AES meeting, that have been interpreted as the beginning of a formal rapprochement between both nations.

Robaina, one of the most [words indistinct] stated that "there is a dialogue level as broad as the one that exists with Guatemala."

"Our level of communications with Costa Rica and Honduras have developed tremendously; in addition, we currently have relations with Nicaragua and Panama," he added.

On the other hand "we are presently at the first phase of communications with El Salvador, without anyone necessarily construing [word indistinct] the mechanism for diplomatic relations," Robaina explained.

According to Robaina, in general "I believe that [word indistinct] with all of America, including Central America, which has not been absent from the Ibero-American process where we have been participating and where we have received understanding from all of them."

He pointed out that Cuba has been able to ensure opportunities due to the fact that the situation is much different now than it was 30 years ago, but acknowledged that economic relations among the countries of America "do not allow Cuba to do as it really wishes."

"We feel more supported by America now more than ever before; however, we believe that if America, not including Cuba now, is not more united, it will be very difficult for it to survive."

With respect to Cuba's reentry to the OAS, he stated that they have the support of the majority of the member countries but rejected any impositions on the Cuban Government for its return to that world forum.

"We do not accept any preconditions since, in short, we were expelled from that organization (in 1962), and we are not knocking at its doors. We are waiting for the majority of the countries to decide," the Cuban minister stressed.

Robaina's visit to Guatemala, which is scheduled to end this Saturday, became the first by a high ranking official of Fidel Castro's government in 36 years.

Vice President Meets Italian Foreign Minister

PA0912022495 Havana PRENSA LATINA in Spanish 2343 GMT 7 Dec 95

[FBIS Translated Text] Rome, 7 Dec (PL) — Vice President Jose Ramon Fernandez met today with Italian Foreign Affairs Minister Susana Agnelli [name and title

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as received], to whom he confirmed a return visit to the island at a later date.

During the meeting, termed cordial and friendly, the foreign affairs minister expressed her government's desire to improve ties with Cuba during the period Italy will hold the alternate presidency of the European Union, between 1 January and 30 June 1996.

In his dialogue with Agnelli, Fernandez stressed the support given by EU countries in the UN vote against the blockade imposed by the United States on the Caribbean nation more than three decades ago.

Fernandez, who arrived here yesterday, today held a rigorous working agenda that included a news conference and a meeting with approximately 100 Italian businessmen and financiers, who were eager to know details about the Foreign Investments Law recently approved in Cuba.

The Cuban leader highlighted the importance that the influx of foreign capital has for the economic recovery of the island, and he underscored the guarantees offered to those who negotiate with Havana.

On his second day in Rome, Fernandez visited the important Institute for the Reconstruction of Italy, where he held a fruitful meeting with Doctor Michelle Tedeschi and other high ranking officials.

This meeting was also attended by Doctor Mario Castellano, president of Stet International, a firm that is making important investments in Cuba in the area of telecommunications.

The Cuban vice president also spoke with Doctor Ernesto Pascale, administrator-delegate of Stet, and other high ranking executives, with whom he examined the course of current negotiations and telecommunications perspectives in the Caribbean island.

Finally, Fernandez met with the staff from three Cuban missions in Rome and envoys Mario Rodriguez, ambassador to Italy; Juan Nuiry, FAO [Food and Agriculture Organization] representative; and Hermes Herrera, ambassador to the Holy See.

PRC Attache Tours Granma, Views Cooperation Efforts

PA0812235195 Havana PRENSA LATINA in Spanish 0235 GMT 8 Dec 95

[FBIS Translated Text] Havana, 7 Dec (PL) — Liencheng Lou, economic and commercial attache of the PRC Embassy in Cuba, praised the island's agriculture potential and asserted that there are excellent possibilities for bilateral cooperation in this sphere.

After a three-day tour through the eastern Granma Province, the diplomat said to the press that there are foundations to increase cooperation in sectors such as aquiculture and to initiate cooperation in the production of hydroelectric energy and soybean, black bean, and rice crops.

Likewise, he recalled that PRC specialists have been training Cubans in heavy water fisheries techniques and, thanks to them, regions such as Granma will this year, exceed the results obtained in 1994.

According to Liencheng Lou, PRC-Cuban communication in aquiculture will continue and it is expected that a joint venture will be established.

Cooperation, he added, will be broadened to take advantage of the potential energy of the water restrained by the dams.

Other fields of cooperation — he noted — could be the production of soybeans, which is very great useful and supplies the soil with 70 percent of the nitrogen it requires, and black beans, a crop that the island imports in average quantities every year.

'Open Agenda' Focuses on Relations With Asia

PA1012231095

[FBIS Editorial Report] Havana Cuba Vision Network in Spanish at 0322 GMT on 6 December broadcasts its one-hour "Open Agenda" program. Throughout the program, reception is fair to unmonitorable.

At 0330 GMT, program host Antonio Resillez introduces Jose Manuel Gadego, director of the Asia and Oceania Studies Center, and asks him why it would be advantageous for Cuba to have ties with the Asia Pacific area. Gadego replies: "People have talked a great deal and for quite a long time about Asia's remoteness. However, the current world, as they say, is very small and thanks to telecommunications and the development of science and technology we are really very close to each other. We should, thus, try to eliminate some of the Euro-centric concept that has prevailed in our history, political, and international relations for a long time. Of course, this will be eliminated insofar as we really get to know and are correctly informed on the role Asia Pacific plays in today's world. We are not talking about a few small islands. We are talking about a continent that emerges as one of the most important international development poles at present but, especially, in regards to the 21st century, which is just around the corner. (passage indistinct) It is a continent that groups more than half the world's population, has approximately half the commerce in the world, and is going to continue to increase its potential, not only from the economic point

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of view but also from a political point of view, as can be seen by its positions in the United Nations and at world forums. Cuba, which is an independent country and wants to have an independent foreign policy, obviously has a lot to gain by developing economic, commercial, diplomatic, and political relations with those countries. I believe Fidel's visit to that area reaffirms the importance of Asia and of the socialist countries in Asia, which are at a very important stage of their development although, of course, they still need to reach new stages in their development."

Resillez says: "One of the characteristics of the so-called Asian economic miracle is the validity of state activities, which opposes somewhat the monetary or neo-liberal alternative basically promoting development models such as the North American model. So, comrade Gadego, we would like to know at this time what your comments on this matter are, on this state validity in this type of development."

Resillez responds: "Taking advantage of this opportunity that moves me to comment on this issue, we have been analyzing this fast development. We see how what the United States did in 100 years Japan did in 50 and the so-called newly industrialized countries did in approximately 30 to 35 years. The newly industrialized economies — Indonesia, Thailand, and Malaysia — will do it in 20 years or perhaps less time. China and Vietnam are right behind these economies; their growth rates are very high; they are expressed in terms of development. How did they do it? Well, people are now talking about all these neo-liberal prescriptions from the IMF and the World Bank. How did they do it? Thanks to a strong role played by the state, it is a role in which the state has decentralized control over the economy, allowing self-management and self- financing. It is a controlling and regulating role that places society's objectives above personal interests. It reminds us that after we had heard for so many years that the path out of the Third World was through the famous NIC's or newly industrialized countries — they were highly praised — now we learn that that was not the case. We know now that the path consists of what the IMF is promoting and the neo-liberal wave. How do we understand this? We believe that the state has played a role and continues to play a role in societies in which, in general terms, the single-party system or the trend to the single-party system has prevailed. Of course, we are not talking about perfect societies; we are not talking about a paradise in those countries. There are problems there. Singapore, for instance, has become quite a large international financial center, and the Singapore airline carries more passengers than does the French airline Air France."

Resillez then refers to a telephone conversation he held with Jose Armando Guerra Menchero, who is the Cuban ambassador to the PRC, on his popularity in that country and the Chinese economic experience. The host then asks Gadego a question on the normalization of relations between Cuba and the United States. Gadego says: "We all agree that insofar as we diversify our foreign trade — Cuban history has been an example of this — and insofar as we have more relations, (passage indistinct) to safeguard our independence and future. There is no doubt that if we multiply these economic, commercial, and political ties, we will really have, as you were saying, a broader balance to project ourselves internationally (passage indistinct) will be implemented in the future in Asia, especially in Vietnam. The distance among ourselves is coming to an end, because through the personal computer, you could move millions (not further specified) from one account to another (passage indistinct)."

Finally, Resillez bids farewell to the television viewers and summarizes the program. Gadego then thanks Resillez for inviting him to the show.

'Straight Talk' Views Ties With China

PA0912132695 Havana Radio Rebelde Network in Spanish 1700 GMT 7 Dec 95

["Straight Talk" program with journalist Eddie Jimenez and program host Osvaldo Rodriguez]

[FBIS Translated Text] [Rodriguez] Good afternoon, friends. This is "Straight Talk" here on Radio Rebelde Network. Journalist Eddie Jimenez today discusses with us the topic of Chinese-Cuban relations. I believe that this is the most current topic at the international level, at least for Cuba, because our Commander in Chief Fidel Castro has been visiting this great Asian country since 29 November and will continue the visit until 8 December. Now, Eddie, you may go ahead.

[Jimenez] Osvaldo, unquestionably President Fidel Castro's visit to China is one of the most important visits he has made abroad. I would particularly say it is to a certain point strategic for many reasons. First, China is probably one of the countries having the highest annual growth rates. Currently, its average growth rate is above 10 percent. It is expected that this year's growth...

[Rodriguez, interrupting] Do you mean economic growth?

[Jimenez] Yes, I am referring to the GDP.

[Rodriguez] No, I meant that the population also grows very fast.

[Jimenez, laughing] Yes, the population is 1.2 billion.

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[Rodriguez] It is expected to grow to 1.3 billion people by the year 2010, I mean, by the year 2000.

[Jimenez] Exactly. Well, look, I was not only referring to the growth rate, which in fact is spectacular China is also second in the world, following the United States, in receiving foreign capital, specifically...

[Rodriguez, interrupting] Do you mean foreign investment?

[Jimenez] Exactly, I mean foreign investment. China is only surpassed by the United States, as I was saying earlier. I would say that between January and August of this year, investment amounted to $22.5 billion.

[Rodriguez] However, do you believe that the recent rise of China's economy has been based precisely upon foreign investment?

[Jimenez] No, not completely. Unquestionably, it has had a significant effect. Nevertheless, look, I would say that the main achievement of China's economy was not made over the past few years. I would say that these achievements have been made throughout the years under socialism.

[Rodriguez, interrupting] What is its main achievement?

[Jimenez] I would say that being able to satisfy the need for food for the large population of 1.2 billion people.

[Rodriguez] Of course.

[Jimenez] Undoubtedly, everybody knows that during the 1920's, 1930's, and 1940's, famine in China was widespread. Millions of people starved to death. However, this situation was overcome in China thanks to socialism. Look, China's rise has been constant. I mean that it has been constant since China embraced the socialist ideology. At present, China is attempting to integrate into the world's large economic powers. This is a very recent achievement that was accomplished over the past 10 or 15 years. Unquestionably, China has made, however, great achievements. The most important of which is having been able to feed such a large population.

[Rodriguez] Eddie, many international experts and economic analysts have said that during the first decade of the next century, China could become the world's most important country from an economic standpoint. What is your opinion in this regard?

[Jimenez] This is likely to occur. At least, it has been declared, let's say, that by the year 2020, China could perfectly achieve Japan's production and productivity.

[Rodriguez] Do you mean Japan?

[Jimenez] Yes, Japan.

[Rodriguez] This means that Japan's productivity in a country and an economy like China's represents an economy that should globally be even above the United States.

[Jimenez] Just imagine that! That is why I was saying that this represents...

[Rodriguez, interrupting] That is why it represents a threat to the West as the commander in chief was pointing out in Beijing.

[Jimenez] It is very important for us...

[Rodriguez, interrupting] Yes, it is very important.

[Jimenez] That is why I was saying that the commander in chief's visit to China is strategic to a certain point, not only because of China's high economic growth.

[Rodriguez] Of course.

[Jimenez] In fact, this is market that offers Cuba possibilities for trade and every sort of economic exchange. Moreover, it is so because China is located in the Asian-Pacific region, the area of the world's largest economic dynamics, particularly in commerce.

[Rodriguez] You have mentioned socialism in China. Quite a few international press agencies and even commentators have somewhat questioned China's socialism and have even described it as capitalism within market socialism. What is your opinion in this regard?

[Jimenez] In my opinion, it is clear that politically China, Cuba, and Vietnam are nations based on their own reality...

[Rodriguez, interrupting] And Korea. [Words indistinct]

[Jimenez, continuing] ...maintain the socialist ideal as the center of their political system to satisfy their peoples' needs.

[Rodriguez] Cuban-Chinese relations. That is the topic we are discussing today with journalist Eddy Jimenez on the occasion of Cuban President Fidel Castro's visit to the PRC. Eddy?

[Jimenez] I believe we are facing a reality. Cuba, the PRC, and Vietnam give the Third World an example that there are other alternatives, other alternatives to capitalism, neo-liberalism, and development. This is very important from the political point of view. In the case of the PRC and Vietnam, it is clear that they are countries that should be taken into account economically. They have experienced important development. It is clear to me as well that our economy is showing signs of recovery.

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[Rodriguez] Never at the rate of the Chinese economy, of course.

[Jimenez] Of course. That is impossible. The comparison is impossible. At the Latin American level, however, a comparison is possible. We are simply an example that an option does exist. We are an example that an option other than capitalism does exist. I would tell you, Osvaldo, that both the PRC and Cuba are experiencing a process of economic reforms aimed at achieving the economic recovery sought by many Third World countries. I believe we are going to attain that goal.

As for relations between the two countries, data provided by the Chinese customs office say that trade between the two countries amounted to $500 million in 1990, a figure surpassed only in Latin America by the existing trade relations between Brazil and the PRC. That trade decreased as a result of our economic difficulties.

[Rodriguez] And our debt with the PRC.

[Jimenez] And our debt with the PRC. Apparently now we are going to be able to overcome that situation.

[Rodriguez] One of the most important agreements signed by our economy minister, Jose Luis Rodriguez, and his Chinese counterpart was a mutually beneficial agreement to resolve the debt problem. It is important to note that, despite this debt, we have received new credit from the PRC. It is a small credit of about $8.3 million. We also received a donation of $3.1 million. I believe this situation is important because the PRC has not adopted the position of shutting off the oxygen valve, as we could say in good Cuban. On the contrary, they have given us more oxygen.

[Jimenez] Both this soft credit loan for $8 million — when I speak of soft loans I mean low-interest loans — and this donation for $3 million are aimed at the scientific-technical development of Cuba. Now back to the trade topic...

[Rodriguez, interrupting] You said low-interest loans. I read in an official report drafted by the Cuban delegation that it was a zero-interest loan.

[Jimenez] Without interest? Several news dispatches talked about a soft loan. When they speak of soft loans they mean low-interest loans.

[Rodriguez] It is a minimal interest rate.

[Jimenez] Of course, in the case of the donation there is no interest at all.

[Rodriguez] Of course. As for the loan, the official note read: Soft loan without interest, which means we only have to return the money they loaned.

[Jimenez] If that is the case, excellent. As for trade, I was telling you that last year, as a result of our economic situation, it decreased. It reached $293 million last year, but in the past nine months this figure has been exceeded. I am talking about the first nine months of 1995, which shows the strengthening of economic and trade relations between the two countries. These ties have been strengthened not only in the field of trade; we also have mixed enterprises. Remember that one of the first mixed enterprises in Cuba was formed with the PRC. It is a mixed enterprise, the activity of which is to manufacture, assemble, and market medical equipment, specifically (medicic) and (neurocic).

[Rodriguez] It also produces medicines.

[Jimenez] Exactly. These products have found a huge market not only in Chinese territory, but also in other Asian countries which have requested these products.

[Rodriguez] Today's topic is of great interest to the public, because we are talking about Cuban-Chinese relations, which are very important for our country. It is precisely the PRC, one of the few socialist countries that remain in this world. Eddy Jimenez has the word.

[Jimenez] The visit Fidel is paying to the PRC is being conducted in a friendly atmosphere. We have all had the opportunity to watch it on television. We have heard reports over the radio. We have heard how Jiang Zemin gave our president a cordial hug and about the meeting they held. Their conversation went on for over 30 minutes. It is the first time that Fidel has visited this enormous Asian country.

[Rodriguez] In addition, despite the rigidity of Chinese protocol, which we have seen — it has surprised us a bit because it does not resemble (?western) protocol — despite this rigidity, I repeat, we noticed on television that there was been a smooth dialogue between the Chinese president and even other Chinese authorities and our commander in chief. I say that there have been some humorous instances, which are not common among Asian peoples, but common among Latin people. It shows the friendly nature of our relations.

[Jimenez] These are relations that have grown in the past few years. Remember Jiang Zemin's visit to Cuba in 1993. Remember the recent contacts Fidel made with the Chinese leader in New York during the 50th anniversary of the United Nations. Without a doubt, our relations with the PRC are going through their best moments.

[Rodriguez] Chinese Prime Minister Li Peng spent a few days in Cuba.

[Jimenez] Exactly. Fidel is currently visiting places of interest in the PRC. He is visiting centers of economic

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development. I believe the visit will be very fruitful and very strategic for Cuba. We are analyzing this only from the economic point of view, but we must also see the political aspects. We had spoken about this topic at the beginning. I am referring to the hopes it awakens for Third World countries. The fact that the PRC, Vietnam, and Cuba are trying to build their socialism under conditions of unipolar capitalism in the world is a hope. The fact that they are able to achieve economic development as an alternative to capitalism is good. We must also look at this from a practical point of view. The PRC currently holds a seat at the UN Security Council. It is a permanent seat at the UN Security Council.

[Rodriguez] They have voting and veto rights, and this is important for Cuba.

[Jimenez] They have voting and veto rights, and it is simply important for a small country such as ours, which is only 90 miles away from the United States. It could be the victim and is in fact a victim of U.S. aggressions every day. I believe this also has great importance for our country.

[Rodriguez] We have a minute left. There are important topics of economic interest in the PRC. I believe you have mentioned a few economic aspects, but I would like you to make a summary of this. In your opinion, of the Chinese experiences in the field of economic development, which experiences could we consider using in Cuba? Of course, we would have to adapt them to our own tropical environment.

[Jimenez] I believe that no experience can be totally inserted into another country. We can use them as references. There is one thing that characterizes both countries though. The Chinese state reserves the right to determine the operation and planning of its economy. We do the same.

[Rodriguez] Of course. I believe we can gain experience. Thank you, Eddy Jimenez, for speaking clearly. I hope this will not be the last time. We should discuss this topic of Cuban-Chinese relations every time we can. Thank you very much.

'Straight Talk' Views Capitalism, Market

PA0912152495 Havana Radio Rebelde Network in Spanish 1700 GMT 5 Dec 95

["Straight Talk" program with TRABAJADORES reporter Julio Garcio Lewis and program host Osvaldo Rodriguez]

[FBIS Translated Text] [Rodriguez] Today, we will discuss the topic: A market is not the the same as capitalism, with reporter Julio Garcia Lewis from the TRABAJADORES daily. Julio, I think you have picked a central topic that is receiving much public debate. I will, therefore, omit introductions and allow you to expand on your thoughts from the start.

[Garcia] Well, we should start, Osvaldo, by saying that our topic is being discussed a lot now, and has been discussed throughout the history of political and socialist ideas, that is, the role of the market laws, their role in socialism, and how certain laws apply.

[Rodriguez] That at times we bar them from the market.

[Garcia] Correct. There has been some controversy generated. I do not wish to address those matters. But I do wish to talk about today, where our society is acknowledging a place for the market and that we must use it as a springboard. The situation has probably helped us understand the dangers of the market better, on one side, and the advantages and possibilities on the other. The problem has thus become crucial. I recently attended the debates on the CTC's [Cuban Workers Federation] view, where this point was touched upon. It was mentioned very succinctly, and a framework for debate was established. There were different reactions to what was said. Some comrades thought one way and others another way. We enriched our general understanding of how we must tackle the market problem in our society.

[Rodriguez] The workers — and I mean state workers in general — probably do not think well of the market. Consequently, even though the market is providing certain products, it is also squeezing the pockets of consumers, to call it something, because of inflation in Cuba. These market prices, especially the open market prices, do not go hand-in-hand with....

[Garcia, interrupting] Just like a good commercial, let us say. It is the social role of the market.

[Rodriguez] Of course, and it does not agree with salaries either.

[Garcia] But I believe that we must separate two things, Osvaldo. We must separate some of the moments and situations that the market is experiencing as seen in the agricultural and industrial markets, the role of the general market in a socialist society and a general trade economy within socialism, which is not only limited to that part of the market. For example, these new state-owned, self-sustained corporations have to be run with a notion of trade in order to maximize their production, sales, revenues, and even the recently implemented buying and selling of foreign exchange.

[Rodriguez] It is also determined by the market.

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[Garcia] Absolutely. We are increasingly moving toward the use of market mechanisms with the interest of reactivating the economy and making it more efficient.

[Rodriguez] But quite a few people feel that the establishment of the market, after it nearly disappeared, are remnants of capitalism. Some also feel that we have abandoned the socialist line.

[Garcia] Look, usually the market concept is associated with capitalism.

[Rodriguez] That is what gave rise to today's topic.

[Garcia] Yes. But we should recall that the trade economy preceded capitalism. A trade economy was already in existence thousands of years before capitalism.

[Rodriguez] Even in primitive cultures.

[Garcia] The trade economy does not cease to exist with capitalism. That is, capitalism continues the exacerbation of trade to a higher level and the extension of trade practices to the labor force. That is what characterizes capitalism.

[Rodriguez] Then it compromises social values.

[Garcia] Absolutely. The market also becomes alienated from the people, and we want to avoid that.

[Rodriguez] The market is not the same as capitalism. This is the subject we are discussing today with journalist Julio Garcia Lewis of TRABAJADORES newspaper. I said we want to keep our society from being alienated by the market. How can we prevent this?

[Garcia] Well, Oswaldo, the problem is that our concept of the market is limited. The market is not everything. This is to say, you do not market education, health, social security, and human labor. This is say, there is a wide field where mercantile relations are not valid. This does not mean, however, that such a relationship is not completely valid where mercantile relations must govern. What is the importance of this? The problem is that our society, like every other society, must deal with the problem that material and human resources are never sufficient to meet all needs. In other words, society must optimize the use of its resources.

[Rodriguez] You have mentioned human resources, which I think are the most valuable. Nevertheless, at present, when there is a shortage of jobs because the labor market experiences a supply surplus and a demand shortage, many workers have moved to various forms of private markets. Do you think this could pose a danger for the future of the Cuban economy?

[Garcia] This is one of the risks posed by the economic model we are moving to, the mixed economy. The fact that there is a sector where a worker can have higher income or can receive certain stimuli that he cannot get in other sectors can surely create certain tendencies. But this is a risk we have to accept. The state will have to correct such a trend in due time and create and apply incentives in other fields. There is also the role played by moral factors, which do not and will not disappear. All this should help offset this trend. It is even positive to have a certain competition regarding labor and jobs because in the end this will result in a benefit to the econony. Oswaldo, we have no other choice than to use market mechanisms, because we have several types of economy in the country. Only in the market can those different types of economy, which appeared under different premises, be related, compared, and linked to one another.

[Rodriguez] Yes, we have state, mixed, foreign private economy, and Cuban private economy. We have four types of economy, which can only take place in the market.

[Garcia] In addition, we have an outside condition. We are working in a world governed by the laws of market.

[Rodriguez] That's the fifth type of economy.

[Garcia] That's another aspect, not quite undesirable. It's very important. Now, what can be negative — you already mentioned one, certain labor trends — in the use of these mercantile levers in our society?

[Rodriguez] Well, the emergence of a class.

[Garcia] Certain inequalities in society. Certain trends toward individualism. It could even be that resources will not always coincide with the greatest needs or the greatest measure of justice.

[Rodriguez] We are discussing the subject, the market is not the same as capitalism, with journalist Julio Garcia. It is surely a risk that we must assume because we must also profit. Now I wish to ask you: How many things can we obtain in this market?

[Garcia] To me, Oswaldo, an essential aspect is that market relations force us to exert greater control and make stricter use of resources.

[Rodriguez] Of course.

[Garcia] This is very clear to me. Greater concern over quality and competitiveness in production. In other words, when you produce for the market, you have to sell. But to be sold, your product must be of good quality and competitive.

[Rodriguez] Because the supply is supposed to be stronger than demand?

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[Garcia] This is something I will tell you last but that perhaps is not bad. I mean how far all this can help restore the value of work.

[Rodriguez] Yes, I think this is interesting.

[Garcia] We have all lived through the experience that the awareneess of the value of the products and goods and the moral element, this is to say, the correspondence between what man gives and what he receives, are lost on many occasions through certain gratuitousnesses and balanced distribution.

[Rodriguez] That is very important.

[Garcia] I will not make this absolute, because doing so would lead us into distortions also. To be aware that I can buy according to what I earn and earn according to my work is also a moral value and an essential value in the society.

[Rodriguez] A principle of socialism, too.

[Garcia] In this aspect, the market can also help us correct problems and establish certain things.

Now, the basic problem, which I started to address a short while ago, definitely lies in who has control of social resources, means of production, and who controls power.

[Rodriguez] Of course.

[Garcia] In having all of this, I believe society is able to open spaces of opportunities, without too much overconfidence, but with the certainty and assurance that the market system can help accomplish major objectives in the development of the economy.

[Rodriguez] With respect to the labor market, I believe that the incentives paid to private sector workers where they are remunerated for their work without having to go through an intermediator now prompts the state to also seek mechanisms of incentives with which it can reward its workers since now it has to deal with competition, which they did not have before. Previously you either worked for the state or you did not work. Now there is competition, which even goes all the way to devising mechanisms to deter workers from changing jobs.

[Garcia] Yes, Osvaldo, but that should be a principle not only between the state and joint or individual producers, but also between state agencies. It would be very healthy for there to be competition.

[Rodriguez] I believe that is true.

[Garcia] No one firm should dominate the market for a specific good, and there should always be an alternative with respect to what firm offers better quality, efficiency, and the best price. That is a device which I believe the state economy should not renounce.

[Rodriguez] However, there are opinions with respect to monopolizing the production of specific goods based on the concept of optimizing available resources.

[Garcia] That is true, but sometimes resource optimization is accomplished more under conditions of competition rather than under monopolistic conditions.

[Rodriguez] Of course that is also true. Well, let us take advantage of the half-a-minute left to summarize what we have said for our listeners.

[Garcia] Well, I believe, Osvaldo, that the thesis expounded by the CTC succinctly, but very accurately, associates the concept that we seek a market subordinated to our system and not a market-oriented economy [mercadocracia] that imposes itself on our system. We have already been able to witness what has taken place in other places with this.

[Rodriguez] A sort of controlled market.

[Garcia] A market under specific controls, but a market nonetheless, and one which operates within specific limits. These limits are given because social services or specific benefits will not be considered in terms of money. However, under those suppositions, opening growing opportunities for a market system more suitable to our system can be a lever that will allow us to draw closer to the point where we can solve the crisis, recover our development capacity, and create an efficient economy.

[Rodriguez] We would like to thank Julio Garcia Lewis for discussing this issue with us today.

'Straight Talk' Discusses Economic 'Takeoff'

PA0912161595 Havana Radio Rebelde Network in Spanish 1700 GMT 6 Dec 95

["Straight Talk" program with host Osvaldo Rodriguez and BOHEMIA reporter Luis Sexto]

[FBIS Translated Text] [Rodriguez] One of the predictions made by "Straight Talk" has materialized: Cuba's takeoff has begun. This is the topic we will discuss today with BOHEMIA's journalist, Luis Sexto. Luis, I remember that on various occasions, with a very interesting perception you described how you saw Cuba's future. In 1993, a very difficult year, you said that the plane had begun to move forward on the runway, preparing for take off. Many people, friends, and even colleagues told me — and I am sure they told you — that we were too optimistic because I supported your idea, that how could we see things that no one else saw.

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Now, the takeoff has begun. There is a 2.3 [as heard], the country is expected to end with approximately 2.7 by 30 or 31 December, it has been estimated between 2.5 and 2.7, and the most optimistic have even predicted 3. Anyway, by maintaining a 2.3, I think we will have an economic takeoff, which is well reflected in the entrance of resources to the national economy, but not on the tables of Cuban citizens.

[Sexto] When two years ago we said that the Cuban economy was like a plane that was moving along the runway, we also said that the plane begins to take off while it is still on the ground, and not when it is already on the air. The initial movement provides the propulsion needed for takeoff. That is what we said, as you recalled a few seconds ago. Of course, some people reacted by laughing at us, while others would have killed us for saying such a thing in the year 1993, which as you noted a while ago, was the most difficult year of that period. Those are the risks that we, as professionals who express our opinion, must take. We must always maintain and express our views, facing the risk that some people will not agree with us. We must hear and tolerate the ideas of other people trying to invalidate ours.

[Rodriguez] We must be broad-minded.

[Sexto] Yes, of course.

[Rodriguez] Because we do not believe we have the absolute truth.

[Sexto] This is part of exchanging ideas. I believe it is very necessary to have different opinions. I believe it is necessary to have contradictory ideas. That is how ideas are expressed and purged in a social debate. Of course, we were not fortune tellers when we said that. We were not looking at a crystal ball or reading cards on a table. We simply took into consideration that the strategy...

[Rodriguez, interrupting] It was not an astrological prediction either.

[Sexto] Right, it was not an astrological prediction. We were not looking at the stars to know the future. We noticed that the strategy that was being implemented in the country more extensively would inevitably yield those results — significant results that could enable us to overcome the great depression of the economic crisis. That was our vision. What did we see? We saw a strategy by which the rules of the market were being implemented, which contributed to develop and reactivate the economy. We saw a strategy by which some sectors of the economy were decentralized. We saw a strategy by which individuals were given broader opportunities. We saw the strategy in its highest and complete sense. Perhaps some people thought that everything had to be explained at once, and some even believed that all this strategy, which has been gradually implemented and still continues, had to be implemented overnight, as occurred in the former Socialist Bloc.

I believe that the word slowness should be within quotation marks. On other occasions we have differed with those who have said that the strategy, the process of economic transformation in Cuba has been too slow. I believe that the word slowness, the adjective slow, or the adverb slowly must be within quotation marks. When you take note of what has been done in our country since 1993, you have to admit that not too many things can be done in three years. We cannot do more. We believe that things are slow when we are in a hurry. When we are in a hurry and anxious to do things, it seems to us that they are being done too slowly. After things are done, however, when we look back, we realize that they could not be done any faster.

[Rodriguez] A prediction of "Straight Talk" has taken place. Cuba's takeoff has begun. BOHEMIA reporter Luis Sexto has the details.

[Sexto] We were talking about the alleged slowness of the economic transformations, in other words of the strategy that reflected from the special period, that reflected the end of the special period. As I said, I believe that when we look back, we realize that more things could not be done in three years. What has been done in three years, Osvaldo? Well, in three years, the Constitution was modified; the possession of currency was depenalized; the farmers' market, as well as the industrial market based on supply and demand were created; almost 60 percent of land owned by the state was given to cooperatives...

[Rodriguez] Private enterprise was expanded.

[Sexto] In three years self-employment was permitted.

[Rodriguez] Foreign investments increased.

[Sexto] In three years a law on foreign investments was approved to permit the growth of investments in Cuba; the Cuban banking system is being reformed. In other words, in three years some enterprises have been decentralized, the directorates...

[Rodriguez, interrupting] Foreign trade.

[Sexto] Foreign trade. I believe that we could not have done many more things in three years. Therefore, I think that slowness is relative. That is why I have always said — not now, but before — that slowness must be in quotation marks. First of all, because as the popular saying goes, when one is in a hurry, one must dress slowly. Transformation processes, especially in societies like ours, in countries like ours, facing hostilities from

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an enemy that has not given up its attempt to dominate us, of course, processes cannot be carried out hastily.

You just do not go to bed and get up the next day with a new idea and put it to work. Processes must be judiciously pondered and then a social concept worked on. Here, processes and measures have required a public debate with the masses and a consensus to be accepted because our country is governed according to the social consensus concept. This is very important. There is no place for technocratic measures in this country.

Something else has been done in this country. We mean a tax system. Taxes, which did not exist in our country, have been organized. Many other things have been done in this country this year. The transformation process has not been as slow as some people think. I must amend some of the things you said. For instance, you said the "Straight Talk" prediction has not come true. But it is coming true because our country keeps working on its transformation, a transformation that responds to a strategy of overcoming the special period in times of peace. This special period in times of peace cannot last forever.

For this reason, when three years ago we talked of overcoming the crisis some day, we had in mind the strategy that had been decided by the party, a strategy that took into consideration the country's interests. Hence the convenience of having a single party, a party that can agglutinate all of the national interests and all of the country's good tendencies and put them to work. Just imagine what would happen if there were 20 parties in this country, each one of them with its own ideas of how to overcome the crisis. We would still be in the middle of the crisis.

[Rodriguez] Unlike some people, Luis, don't you think this takeoff has led us even to political concessions?

[Sexto] Yes. Someone told me something about that the other day. Let me tell you, Oswaldo, that this crisis situation has been described in many ways. Some people describe it in the lowest terms and reach the conclusion that everything is lost. Others regard the crisis optimistically and believe there is always a solution for the problems. Some people asked me: What remains of the revolution? I answered: The revolution has created everything. The revolution, although imperfect, is a work that is there. The revolution is a spirit, a determination to transform, grow, and preserve the nation's values. Therefore, everything remains of the revolution because this determination has not disappeared. No one has ever relinquished this determination.

[Rodriguez] Again we have Sexto of BOHEMIA magazine with us. He is one of the persons who predicted this takeoff more than two years ago.

[Sexto] I told the companero with whom I talked that everything was left of the revolution because we still have a determination to have the revolution continue. The fact that you change tactics does not mean that the strategy must change also. Cuba has changed its tactics in the new world in which it has to live. We must forget about the world of 10 years ago. This is an idea we must always underline. We must forget about the world that no longer exists. Now we live in a different world. Cuba has proven it is flexible because flexibility is a requirement for survival. No one can remain static in life because he will perish.

When a car crashes against a lamp post, the post breaks because it resists, is inflexible, does not bend. In politics, inflexibility can only lead to failure. Our country has given unequaled evidence of flexibility. This is what guarantees its survival. Cuba has modified some of its basic principles. Cuba now uses market elements.

As Julito Garcia said one of these days, market elements are necessary to overcome the crisis. Socialism is constructed over a material groundwork. If this material groundwork is missing, we must look into the former government and economic and social background for the springs that can make it possible for us to create the material groundwork that socialism requires to build itself. This is not only a matter of wanting, but also of possibilities. As Julito Garcia said, the market is a spring of capitalism and of societies before capitalism, a spring that serves to reactivate our economy and country.

Let me tell you before you interrupt me, Oswaldo, you said our country is taking off. I say our country is taking off. The GNP indexes show we are growing. THE NEW YORK TIMES reported one of these days that Cuba will surely take off. This report is to be regarded seriously because this is a serious newspaper, a newspaper that does not talk for the sake of talking. I think I have the paper, which admitted it in an editorial a few days back. Cuba is taking off. Of course, this takeoff can never be measured against 1989. This takeoff and growth has to be measured against 1994, not 1989 or 1988. This growth has to do with the previous year. In Cuba, the year 1995 has been better than 1994.

[Rodriguez] And 1994 was better than 1993.

[Sexto] And 1994 has been better than 1993.

[Rodriguez] The takeoff was already seen to start in the second half of 1994.

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[Sexto] Life has become a little less hard. But it continues to be hard because this growth is not automatic or immediate, but gradual. If we replace the word slowness, we must use the word gradual. This is a development and growth process. As you said, this will be seen a little later on the Cuban people's table and daily life.

[Rodriguez] It is good that you mentioned this because some people think to grow means to say the crisis is over, that the crisis will resume the economic level it reached in 1989, as you well said, but this will take a few more years because this growth we are talking about will recover what we lost at that time, when we experienced a 35 percent drop in the country's GNP.

[Sexto] Of course. We will recover gradually, year after year. If we continue to use the illustration of the plane, the plane rolls along the runway, and takes off, but stable flight is attained five or 10 minutes later, when it has reached the necessary altitude so the flight can be stable and quiet. I think Cuba's problems cannot be solved in 10 minutes.

[Rodriguez] You should have become a pilot, because you always use this metaphor of a plane.

[Sexto] I wanted to become a pilot when I was a child but I suffered a great handicap: I am terribly afraid of flying. Oswaldo, let me tell you we must trust that the strategy conceived and maintained by the party and implemented by the government is a correct strategy, which is yielding fruit, as we can see already. I think this strategy relied above everything else on the people's support and work. All of the merit resides in the Cuban people, the Cuban people, with their highs and lows, Cubans who have suffered the deterioration of their daily lives. Although griping one day, they had the strength the next day to continue withstanding and facing a present which, although deteriorated, did not preclude a brighter future.

[Rodriguez] Thanks to Luis Sexto for having discussed this subject for us.

Stores Selling in Hard Currency 'Important' Exchange Source

PA0912033195 Mexico City NOTIMEX in Spanish 1743 GMT 6 Dec 95

[FBIS Translated Text] Havana, 6 Dec (NOTIMEX) — The network of stores that sell in hard currency, all of which Cubans call "shoppings" [preceding word received in English], became one of the most important sources of foreign exchange for the government in 1995, it was learned here today.

In the new Cuban economy dominated by the dollar, receipts from sales to foreign tourists and a growing number of nationals who have access to that currency must total a little more than $500 million this year, managers of these stores told the local press.

The tourist industry, with a little over 700,000 visitors up to December, must contribute approximately $1 billion to the state treasury. This amount includes certain amounts of retail sales in foreign exchange.

Cuba has several networks of stores that sell food, clothing, footwear, home appliances, furniture, souvenirs, and other products at high prices, the largest of which is Panamericana, with $180 million in gross revenues.

According to Alberto Bravo, Panamericana's general manager, the company has 275 outlets and a network of boutiques all over the island, and more than 150 domestic and foreign suppliers supply it.

Other stores operating in Cuba are Caracol, the Cubalse S.A. Consortium (which only served the diplomatic corps in the beginning), Gaviota, Universo, and the "TRD-Caribe," the acronym of which represents a symbol: TRD, Stores for the Collection of Foreign Exchange.

According to specialists from the Cuban Economy Studies Center, nearly half of more than two million residents of the capital and up to 30 percent of the rest of the population have access to the vital dollars.

The government eliminated penalties on the possession of the greenback in August of 1993 and created the convertible peso (on par with the dollar) in December 1994 to obtain a large amount of dollars the people receive through several ways.

The stores that sell in dollars contrast, in terms of infrastructure, variety, and quality of their articles, with the empty state-owned businesses, where rations of products from the basic market basket subsidized by the state are purchased.

Vice President Predicts Growth in Sugarcane Harvest

PA1012041995 Havana PRENSA LATINA in Spanish 0302 GMT 3 Dec 95

[FBIS Translated Text] Havana, 2 Dec (PL) — Vice President Carlos Lage today promised a 20-percent growth in sugarcane production for the 1994-1995 harvest, based on the current condition of the plantations and the effort made in repairing factories.

During a visit to sugarcane producing areas and the Antonio Maceo Agro-industrial Complex in the municipality of Cacoum, in Holguin Province, approximately 850

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km east of Havana, Lage told AGENCIA DE INFORMACION NACIONAL that a greater production of sugarcane is expected this year, allowing this increase.

With the next harvest begins a decisive struggle for the country and estimates predict a production larger than that of last year, the vice president emphasized.

In the 1993-1994 harvest, the sugar production of the island totaled just 3.3 million tons, the worst figure in the last 50 years.

Cuban authorities have insisted that the economic recovery of the country depends on increasing the sugarcane harvest.

Lage stressed that the agriculture sector has received some fertilizers, a steadier supply of fuel for irrigation in sugarcane plantations, and a good amount of rain, which will favor the results of agricultural yields.

He recalled that the preceding harvest encountered many difficulties and the sugar production was much lower than what the country could have achieved, but — he continued — many factors had a bearing on this.

He reaffirmed that in the upcoming harvest, better results will be obtained depending on the weather and the efficiency and organization of labor in the sugar industry.

Lage, who is also secretary of the Council of Ministers, insisted that great care be given to the harvest because sugar represents the main source of foreign exchange, and a growth in this sector will result in an increase in the country's resources.

In addition, Lage underscored, this increase will allow us to pay the debts that the island has contracted for the purpose of increasing production in this important economic sector.

Cuba had to obtain financing, loans, and credits under very difficult conditions because of the circumstances of the U.S. blockade and, consequently, a large part of the proceeds from the harvest will be destined to pay those debts, Lage noted.

The vice president examined the 25 KTP-2M sugarcane combines with cutters, the only ones in the country that will work with this device in the upcoming harvest.

Economist: Nation Needs To Eliminate 500,000 Jobs

PA1012141395 Mexico City NOTIMEX in Spanish 1705 GMT 9 Dec 95

[FBIS Translated Text] Havana, 9 Dec (NOTIMEX) — There is the need in Cuba to eliminate between 500,000 and 700,000 jobs in state-run enterprises and organizations, Roberto Verrier, president of the National Association of Cuban Economists (ANEC), stated today.

The specialist told the government-controlled National News Agency that that was the conclusion reached by a study on jobs conducted in the past months in Cuban municipalities and provinces.

Verrier indicated that the survey stressed the need to prevent those people who are currently employed from being left jobless, and pointed out that approximately 20,000 people joined the Cuban agricultural sector this year as an upshot of the economic transformations.

Verrier added that another study was finished on the most vulnerable groups of the population (retired people, single mothers, and other low-income groups) that will be "duly protected." However, the study did not clarify the form of this subsidy.

Labor Minister Salvador Valdes announced the labor diagnosis in June as the means to ascertain the country's true employment situation at a time a drawdown (dismissals) of "excess" personnel is taking place.

He mentioned back then that the study will consider the changes taking place within the nation's economic scene: The increase in the cooperative and private sectors and the emergence of mixed enterprises with foreign capital, which modified the makeup of jobs.

"We must face a necessary and indispensable drawdown (dismissals) process of the labor force if we want to have an efficient economy," Valdes told the official media.

The employment cuts are part of the official plan to cleanse the public finances and ensure the recovery of the economy, which, after a free-fall in the past five years, should close this year with a growth of 2.5 percent.

The weekly TRABAJADORES, mouthpiece of Cuba's only union, indicated in several editorials that it is impossible to maintain the full-employment policy enforced during the first years of the revolution, but it urged the government to implement a gradual, rational, and regulated drawdown.

Haiti

CEP Member Confirms Arrival of Ballot Papers

PA1212012995 Port-au-Prince Radio Galaxie in Creole 1100 GMT 11 Dec 95

[From the "Let Us Sit To Talk" newscast]

[FBIS Translated Excerpt] On the subject of the elections, as previously announced by the Provisional Electoral Council [CEP], 22 out of 70 cases of ballot papers arrived here in Haiti on Friday. Moliere Ladouceur

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says the 17 December elections will open another page in Haitian history. The material that arrived is being guarded with great scrutiny at the (Carnagus) Camp, where the Canadian component of the UN Mission in Haiti [UNMIH] is quartered. Our colleague Jean Donald was at the Mais-Gate Airport on 8 December and is going to explain how that happened.

[Begin recording] [Donald] As announced by the CEP during its news conference at the Holiday Inn Hotel, the voting material arrived at Port-au—Prince International Airport very early on the morning of Friday, 8 December, on a Amerijet flight, a cargo aircraft that was chartered especially for this occasion. But only 22 of the total of 70 [word indistinct] or cases of voting material that should have arrived actually arrived.

According to information given to the press by CEP member Moliere Ladouceur, who was at the scene for the arrival, the second cargo aircraft that was chartered for the transport of the material has broken down. By Saturday, the 48 missing cases will reach their destination. This is what he added:

We are informing you that each case contains 55 ballot paper boxes, and each ballot paper box contains 420 ballot papers. This means each Registration and Polling Station would normally receive a ballot paper box.

Ladouceur further said that the CEP has done all it can to offer the nation credible and honest elections with transparency. For the time being, Ladouceur says, we are adding the final touches to the electoral process and, as of Wednesday, 13 December, we will proceed to distribute the voting material all over the national territory.

Will we witness once again a lack of material in some areas on polling day? On that score, Ladouceur was very reassuring. With the logistical help of UNMIH, especially the helicopters, we will be able to easily reach all the communal sections in the country. Here is how he answered at the microphone of the journalists:

[Ladouceur] On 17 December, the people will choose somebody who will succeed the current president. On 7 February, the elected candidate will take office at the National Palace. It is continuity for democracy in Haiti. As for us, we in the CEP have prepared and made every effort for elections to unfold without violence. As you can see, everything is already set up. We say the elections will unfold without violence. UNMIH, the National Police, all those people will help us establish security throughout the territory on polling day. [passage omitted]

[Donald] We must point out that USAID has played an important role in financial assistance for the realization and printing of the voting material. For the time being, the material that has been unloaded is under surveillance at (Carnagus) camp. We must inform you that (Carnagus) camp is located at the airport, and the Canadian component of the UNMIH has established its base there. Jean Donald for Galaxie. [end recording]

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Roundup of Economic Developments Through 11 Dec

PA1112223595

[FBIS Editorial Report] The following is a compilation of reports on economic developments in Mexico monitored through 11 December.

The National Council of Workers has stated that over 2 million Mexicans are jobless and 20 million Mexicans are living in conditions of extreme poverty as a result of President Ernesto Zedillo's first year in office. It added that the year's accumulated inflation rate will be close to 60 percent by the end of the year. (Mexico City EL FINANCIERO in Spanish 4 Dec 95 p 30)

Constant price changes in the economy have prompted an "inflationary bubble" affecting raw materials, which could directly adversely affect the country's expected production for the year. During the first 10 months of the year, prices for raw materials, excluding crude oil for export, grew at a rate of 48.04 percent. (Mexico City EL FINANCIERO (ANALISIS Supplement) in Spanish 4 Dec 95 p 3A)

Victor Manuel Diaz Romero, president of the Confederation of Industrial Associations, reported that in 1995 close to 8,000 factories were closed due to the country's severe economic recession. He added that a total of 2.5 million employees from all sectors of the economy lost their jobs. German Gonzalez Quintero, president of the Confederation of National Chambers of Commerce, said the commerce and service sectors were the ones that were hurt the most by the economic recession of the last 11 months to the point that their contribution to the country's GDP decreased by at least 13 percent. (Mexico City EL FINANCIERO in Spanish 4 Dec 95 p 28)

Mexico had a trade surplus with the United States for $8.097 billion during the first eight months of the year, which contrasts with the $2.369-billion deficit for the same period in 1994, according to a 3 December (as received) report datelined Mexico City. The information was provided by the National Foreign Trade Council on 4 December. (Mexico City NOTIMEX in Spanish 1544 GMT 4 Dec 95)

Hector Flores Santana, secretary of the Department for Economic Development of the Federal District, said the Federal District's contribution to the national GDP dropped from 27 percent to 21 percent as a result of the country's economic crisis. The Federal District currently also has the highest unemployment rate in the country. (Mexico City LA JORNADA in Spanish 4 Dec 95 p 50)

The Mexican banking sector confiscated property held by debtors for 6.2117 billion new pesos by the end of the third quarter of 1995. This amount is 104 percent more than the amount seized during the same period in 1994. (Mexico City LA JORNADA in Spanish 4 Dec 95 pp 64, 55)

Banorte Bank has announced it has sufficient resources to support its expansion through the purchase of new property and the creation of new branches. Banorte plans to expand its services in San Luis Potosi, Zacatecas, and Jalisco States and will soon announce investments for 1.4 billion new pesos. (Mexico City EL FINANCIERO in Spanish 4 Dec 95 p 1)

Javier de la Calle, general director of the Credit for Consumer Office of the National Bank of Mexico, Banamex, reported that during the first 10 months of 1995, credit card invoicing in the entire banking system dropped 24 percent. In an interview, De la Calle, said credit card invoicing dropped from 42.257 billion new pesos during the first ten months in 1994 to 32.4 billion new pesos during the same period in 1995. (Mexico City EL FINANCIERO in Spanish 4 Dec 95 p 13)

According to official estimates by the National Bank of Domestic Trade of Mexico, BNCI, between 850,000 and 1 million persons from the formal business sector have lost their jobs so far this year due to a drop in domestic sales. (Mexico City LA JORNADA in Spanish 4 Dec 95 pp 64, 55)

Twelve of Mexico's largest business groups will have to pay off domestic and foreign debts for 52.335 billion new pesos in 1996, according to the Commerce and Industrial Development Secretariat. In addition, according to a research conducted by EL FINANCIERO, only 12 business groups, which have control over 100 companies, were able to benefit from the devaluation. (Mexico City EL FINANCIERO in Spanish 4 Dec 95 p 15)

To meet seasonal demands for the end of the year, the Bank of Mexico increased the supply of currency in circulation, therefore, the circulation of bills and coin grew by 10.6 percent in November. According to the authorities, the increase does not does not represent a relaxation of the monetary policy or the abandoning of the program adopted in early 1995, when a money production ceiling was determined. Authorities claim it responds more to a temporary situation. (Mexico City EL FINANCIERO (ANALISIS Supplement) in Spanish 4 Dec 95 p 1H)

Pemex, Mexican Petroleum, Refining Division produced an average volume of 1.6 barrels of crude a day in the first 10 months of 1995. Pemex revealed that 488,600 barrels of gasoline were produced during that period. This includes the production of naphtha, which are later

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used as petrochemical raw material. (Mexico City LA JORNADA in Spanish 5 Dec 95 p 48)

According to the INEGI, National Institute of Statistics, Geography, and Information Science, the aggregate value of exports generated by the maquila industry accumulated an annual growth of 11.2 percent in real terms during the first nine months of 1995. In this period, the total number of personnel working in this productive sector amounted to 628,582, which constitutes an annual accumulated increase of 9.3 percent compared to figures for the same period in 1994. Statistics also indicate that the states that concentrated the largest number of maquila workers include: Chihuahua with 29.2 percent of the total; Baja California with 20.3 percent; Tamaulipas with 18.5 percent; Coahuila with 8.8 percent; and Sonora with 8.2 percent. (Mexico City EL FINANCIERO in Spanish 5 Dec 95 p 27)

With an overdue portfolio of more than 91.5 million new pesos, of which 85 percent is in the hands of nine clients, the Industrial Bank concentrates most of its problem credits in nine companies that are in arrears with their payments. Despite this situation, this financial institution believes it will recover a high percentage of those credits, as it has enough guarantees. In addition, the indicators of gross and net overdue portfolios for October reached 5.28 and 1.73 percent, respectively. These margins are among the lowest ones of the system. The upward trend registered by its capacity to attract deposits has not only enabled the bank to maintain its funding for the total resources it lends, but it even has a surplus of cash that are being geared toward the interbanking market with a favorable margin for the institution. (Mexico City EL FINANCIERO in Spanish 5 Dec 95 p 6)

During a meeting with President Zedillo and other prominent officials, the managers and chairmen of the leading 100 foreign companies from the United States, Europe, and Asia, committed themselves to invest in billions of dollars in Mexico to revitalize the economy and generate jobs. In the meeting, Commerce Secretary Herminio Blanco announced that "the companies have decided to invest $6.3 billion in the industrial and trade sectors in 1996. This amount constitutes a 53-percent increase over figures registered in 1995." President Ernesto Zedillo told the foreign investors that "virtually, the short-term foreign debt has been paid off. Consequently, Mexico currently has enough international reserves to meet its financial commitments." Urging U.S., European, and Asian businessmen to invest in Mexico, Zedillo told the investors that "they [foreign investors] have confirmed that working with Mexicans is equal to working with capable, devoted, and productive people." (Mexico City XEW Television Network in Spanish 0400 GMT 5 Dec 95)

Mexico's international reserves on 1 December amounted to $13.616 billion, showing a decrease of $93 million in comparison to the previous week, according to a 6 December report datelined Mexico City. Meanwhile, interest rates decreased for the third consecutive week. Mexico's central bank has announced that its reserves decreased from the amount reported on 24 November because the country had an income of $254 million and expenses totalling $347 million. (Mexico City NOTIMEX in Spanish 1623 GMT 6 Dec 95)

Grupo Mexico, the country's foremost mining company, is building an electrolytic copper refinery next to its "La Caridad" copper smelting company in Nacozari, Sonora. The refinery will be the largest in the country to process impure copper and produce annually 180,000 tons of copper cathodes of a 99.99 percent degree of purity, which is the international standard. The technology selected for the company is the "Kidd Permanent Cathode" process, which features very competitive operations costs and advanced technology for environmental conservation. The refinery is scheduled to begin production in 1997; 950 people will be employed for its construction and 150 for its operation. (Mexico City EL FINANCIERO in Spanish 6 Dec 95 p 28)

During the first 10 months of 1995, Mexico's steel production increased by 17.9 percent in comparison to 1994, to over 9.9 million tons. "If this trend continues, the national steel industry could produce 12 million tons by the end of the year, thereby creating a new record." Gabriel Junquera Gonzalez, president of the Mexican Association of Clothing Industry Suppliers, said that sales in the sector he represents have dropped between 30 and 40 percent in comparison to last year due to the devaluation of the peso and because local companies are unable to compete with the costs of imported products. (Mexico City LA JORNADA in Spanish 6 Dec 95 p 56)

Bital's overdue portfolio has decreased considerably since the Federal Government purchased it, and the debts acquired by Banco de Mexico through the Savings Protection Banking Fund have been paid. Bital's index of late payments dropped from 10.97 percent in the third quarter of 1994 to 9.54 percent in September 1995. According to Bital's last financial report, its overdue portfolio up to September amounted to 2.7583 billion new pesos, which reflected annual payments of scarcely 2.9 percent. (Mexico City EL FINANCIERO in Spanish 6 Dec 95 p 3A)

According to the INEGI, Mexico's mining and metallurgical production increased by 11.3 percent during the

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first nine months of 1995, thanks to increased exports, primarily of fluorite, silver, and copper. The INEGI adds that the physical volume of production in September 1995 was 156.2 units, almost the same as the volume reported in October 1994, which means that no gain was made in 11 months. (Mexico City EL FINANCIERO in Spanish 6 Dec 95 p 23)

According to Juan Autrique, president of the National Association of Mexican Importers and Exporters, ANIERM, almost 300 companies carry on 70 percent of Mexico's exports, and most of them are transnational firms. During an interview for this newspaper, Autrique said that "despite effort to diversify trade, there still is a "high concentration of export markets, products, and businesses." This is backed up by the Secretariat of Commerce and Industrial Development, which reports that during the first six months of 1995, export companies increased in comparison the number that existed in 1994, going from 14,500 to 20,000. (Mexico City EL FINANCIERO in Spanish 6 Dec 95 pp 68, 57)

Banamex Administrative Council President Roberto Hernandez and Banacci Financial Group President Alfredo Harp have disclosed that Banamex, will close the year with a capitalization index of 12 percent. Banamex was capitalized with $250 million by the Banamex-Accival Financial Group. Hernandez and Harp pointed out that the capitalization program will conclude in 1996 with a total of $500 million, which will raise Banamex's capitalization index to 14 percent. (Mexico City EL FINANCIERO in Spanish 6 Dec 95 p 4)

Telecommunications group Unicom has announced it will invest $900 million to participate in the long distance service, according to a 7 December report datelined Mexico City. This group — comprising Spain's International Telephone Company, GTE, and Bancomer Financial Group — will build a fiber optic network connecting 60 cities. The Secretariat of Communications reported it granted a concession to Unicom to operate a public telecommunications network, which will be able to offer long distance telephone services. (Mexico City NOTIMEX in Spanish 2118 GMT 7 Dec 95)

The consumer price index increased by 47.17 percent during the first 11 months of this year, according to a 7 December report datelined Mexico City. According to the Bank of Mexico (Banxico), inflation rose by 2.47 percent during the month of November. Banxico reported the annualized inflationary index (November 1994 to November 1995) totaled 48.46 percent. Banxico said the consumer price index increase in November resulted from the hike in prices of foodstuffs, bus and plane tickets, medicine, and home appliances. (Mexico City NOTIMEX in Spanish 2344 GMT 7 Dec 95)

President Ernesto Zedillo has announced investments in excess of 63 billion new pesos to reactivate the economy and generate jobs beginning next January. Zedillo said 29.5 billion new pesos investments will be made in the area of communications and transportation, public utility companies, education, and health. Mexican Petroleum will invest nearly 23 billion new pesos to physical investments, production, prospecting, and oil refining. The president indicated the reduction in toll rates for 28 highways will also contribute to the economic reactivation. (Mexico City XEW Television Network in Spanish 0400 GMT 7 Dec 95)

The balance of the domestic federal government debt has increased by 48.1038 billion new pesos between December 1994 and November 1995. In November this debt reached 128.892 billion new pesos, namely 63.18 percent higher than the amount for last year. Meanwhile, the amount of the debt in Treasury Bonds (Tesobonos) declined from 91.7174 to 5.3709 billion new pesos. (Mexico City LA JORNADA in Spanish 7 Dec 95 p 49)

The Secretariat of Finance and Public Credit has authorized the First Chicago Bank to begin operating in Mexico. The First Chicago Bank will operate with an initial capital of 73.7 billion new pesos. In addition, it will control at least 51 percent of the partnership capital and will not assign its ownership share without notifying the Secretariat of Finance and Public Credit. (Mexico City EL FINANCIERO in Spanish 7 Dec 95 p 10)

Given the decline in the domestic demand for cars, the Mexican auto industry this year will export 80 percent of its production compared to last year when it sold half of its production overseas. An official said the auto industry will also try to substitute the import of approximately 4,000 products and inputs. The official concluded that between January and August, the auto industry exported $7.842 billion worth of vehicles, tires, and spare parts. (Mexico City LA JORNADA in Spanish 7 Dec 95 p 46)

A report issued by the Alliance for Well-being in the Federal District said that the number of unemployed people in Mexico City increased by 5 percent with respect to last year. This indicates poverty in the capital has increased significantly. The number of unemployed persons in the city went from last year 228,523 to 418,959 presently. (Mexico City LA JORNADA in Spanish 7 Dec 95 pp 1, 40)

Commerce Under Secretary Jaime Zabludovsky has reported the economic instability in Mexico has not affected the negotiation of commercial agreements with Ecuador, Peru, and Panama. The official noted, however, that there have been problems in reaching a com-

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mercial accord with the countries forming the northern Central American triangle. Zabludovsky concluded sales to countries with which Mexico has commercial accords increased significantly. (Mexico City EL FINANCIERO in Spanish 7 Dec 95 p 27)

The devaluation of the peso will reportedly generate $2.851 billion revenues in the area of tourism. This represents 25.8 percent more than the revenues generated last year. In spite of progress in this area, tourism receipts account for just 4.1 percent of the gross national product. (Mexico City EL FINANCIERO in Spanish 7 Dec 95 p 2A)

The EU approved $567.6 billion in humanitarian aid for underprivileged population in Chiapas State in 1996, according to a 7 December report datelined Mexico City. This aid will include emergency food supplies, medical equipment, medications, minimum health facilities, drinking water, and training. (Mexico City NOTIMEX in Spanish 0008 GMT 8 Dec 95)

Banamex, subsidiary of the Banamex-Accival Financial Group (Banacci) announced the successful conclusion of its new commercial paper program for $460 million. The new program is the third of its kind since Banamex established the first one early in 1994 for $200 million. (Mexico City EL FINANCIERO in Spanish 8 Dec 95 p 10)

The Secretariat of Finance and Public Credit announced that Mexico's industrial production accumulated an 8.8-percent drop during the first nine months of this year in comparison to the same period in 1994. During this period, the construction industry registered a 20.9-percent drop in real construction value and laid off about 220,000 workers. In September 1995, industrial production increased by 0.5 percent in comparison to the month of August. (Mexico City LA JORNADA in Spanish 8 Dec p 61)

Banxico announced that during the first 11 months in 1995, accumulated inflation amounted to 47.17 percent while the family basket reached the 54.46-percent level. In November 1995, the national consumer price index increased by 2.47 percent in comparison to last October. (Mexico City EL FINANCIERO in Spanish 8 Dec 95 p 21)

The Secretariat of Finance and Public Credit announced that Mexico registered a trade surplus of $837 million in October 1995 when exports amounted to $7.465 billion, which is a historical record, and imports amounted to $6.628 billion, according to an 8 December report datelined Mexico City. During the first ten months in 1995, Mexico's accumulated trade surplus amounted $6.238 billion while accumulated exports amounted to $65.961 billion, a 33.4-percent increase in comparison to the same period in 1994. (Mexico City NOTIMEX in Spanish 0337 GMT 9 Dec 95)

Commentators Warn, Urge Action on Scandal

96P20142

[FBIS Media Note] Key Mexico City print media critics of the political system have identified far-reaching problems related to the criminal case of Raul Salinas de Gortari—with its implication of shared responsibility of his brother, former President Carlos Salinas de Gortari—and have urged President Ernesto Zedillo to act against both the Salinas family and its political and economic associates and the factors that promoted the alleged abuses.

Political scientist Juan Molinar Horcasitas states that a prosecution of the ex-president would be popularly supported but warns that such action might elicit retribution from a threatened but economically powerful Salinas group. Action against the former leader, he contends, would also be resisted by those who oppose weakening the presidency by undercutting the long-standing "unwritten law" that ensures impunity to retired presidents (REFORMA 4 Dec).

Party of the Democratic Revolution federal Senator Heberto Castillo warns that the Salinas family and associates together may possess $45 billion in assets and the power that goes with it, but goes on to observe that the political commotion caused by President Zedillo's attack on them will end only if the president moves resolutely against that group (PROCESO 4 Dec).

Former NOTIMEX government news agency head Raymundo Riva Palacio also urges President Zedillo to move against Salinas family corruption but cautions that Zedillo is hampered by three cases of alleged corrupt practices involving him and his family. Even his own ascent to the presidency marks him, says Riva Palacio, as a "deformed creation" of a corrupt political system (REFORMA 4 Dec).

Suggesting the enormity of the task at hand, political reform advocate Santiago Creel Miranda sees authentic democratization as the only remedy, one which ensures the "real possibility" of transfer of power from one party to another. He argues that only such reform will inhibit abuses in public office, eliminate situations that "create thieves," and, when thieves are found, ensure that they are punished (REFORMA 6 Dec).

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Nicaragua

Correction to Chamorro Signs Laws

PA0812172895

The following correction pertains to the item headlined "Chamorro Signs Telcor, Property Laws," published in the 1 December Latin America DAILY REPORT, pages 14-16:

Make subslug read: ...[Address by Nicaraguan President Violeta Barrios de Chamorro on occasion of the signing of the "Law of Incorporation and Expansion of Public Telecommunications Services" and the "Law of Property Stability" at the Presidential Palace in Managua on 30 November]... (deleting "text" notation, providing quotation marks)

Correction to Assembly Vice President on Privatization

PA0812171695

The following correction pertains to the item headlined "Assembly Leader Views Property Law, Telcor Privatization," published in the 4 December Latin America DAILY REPORT, pages 29-30:

Make subslug read: ...[Speech by National Assembly President Luis Humberto Guzman "on the occasion of the signing of the law to privatize the Nicaraguan Telecommunications and Postal Services Institute" in Managua on 30 November] ... (deleting "text" notation)

Panama

President Views 'Tangible Benefit' of U.S. Presence

PA1112194595 Paris AFP in Spanish
1727 GMT 11 Dec 95

[By Edouard Pons]

[FBIS Translated Text] Panama City, 11 Dec (AFP) — Panamanian President Ernesto Perez Balladares said in an interview with AFP that the "only reason" to speak to the United States about the permanence of its military presence in Panama beyond the year 2000 would be "if there is a direct and tangible benefit" for the country.

"If the benefits are direct it is because they would have to stem from the U.S. military presence and if they are tangible it is because they can be counted in dollars," the president said.

Perez Balladares said that contrary to what some commentators are pointing out, "there is no national security threat, there is no security threat for the Panama Canal, and there is no threat regarding the drug trafficking issue that can be prevented by the U.S. presence."

According to the 1977 Torrijos-Carter treaties, the United States must withdraw 7,600 soldiers it still maintains in the former Canal Zone before the year 2000.

Both countries agreed, however, to hold talks about an eventual U.S. military permanence, which should have taken place on 30 November and 1 December, but they were postponed at the last minute.

"What led to the postponement were the statements made by two U.S. Government spokesmen... that there would be no economic compensation for the use of the military bases," Perez Balladares said in reference to statements made by U.S. Ambassador William Hughes and Southern Command officials.

"Since the first day I told President Clinton, when he asked me to speak about that possibility, that I understood that the only reason to hold the talks was if there was a direct and tangible benefit from the U.S. military presence in Panama," Perez Balladares said without specifying the amount of the benefit.

"To avoid holding fruitless talks, we decided to ask for a postponement until the United States is in a better position to discuss the economic aspect," Perez Balladares said, adding that it could be "a matter of weeks or months."

According to opposition sources, the government would request $150 million annually for several bases and approximately 1,500 U.S. troops in Panama.

According to the Southern Command, in 1994 Panama directly or indirectly received $360 million for the North Americans' presence in Panama.

"With or without bases we are interested in maintaining the special relationship we have always had with the United States and we do not want to jeopardize it in any way with exploratory talks," the president said.

On 7 September Commander of the Southern Command General Barry McCaffrey said that having troops in Panama is not of vital interest to U.S. national security.

However, various sources have said that the North Americans have a certain interest in maintaining Howard Air Force Base, the largest in the Pacific, 11 km southwest of Panama City; Fort Sherman on the shores of the canal, used for tropical jungle training; Galeta Island, a large communications center 70 km northwest of Panama City; and 3,000 troops.

"There will no difference in the manner in which the canal has been managed thus far and how it will be managed as of the year 2000 with regard to its efficiency, productivity, and security," Perez stressed,

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adding that at present 90 percent of the canal workers are Panamanians.

As for the use of the North American installations once they are in Panama's hands, Perez mentioned among other plans the possibility of installing an industrial park with Taiwanese investments, and of founding a "city of knowledge" with various study facilities for Latin American students.

With regard to the advantages Panama offers foreign investors, Perez underscored the nearness of Latin American and North American markets, distribution facilities, and highly qualified labor.

Foreign Minister: Nation Not Ready for Talks With U.S.

PA1112183695 Panama City EL PANAMA AMERICA in Spanish 9 Dec 95 p 8E

[Report by Aquilino Ortega Luna]

[FBIS Translated Text] Foreign Minister Gabriel Lewis Galindo said yesterday that Panama will not begin "exploratory" talks on the stay of U.S. military bases in this country until it is prepared to do so, and thus, the United States will have to wait.

He announced that the Panamanian Government is making an economic study on the advantages and disadvantages of prolonging the stay of U.S. military installations in Panama.

Lewis added that this economic research work is expected to be completed by mid-January 1996.

"We will not ask for the restart of negotiations until we are truly prepared in this matter," the foreign minister said categorically.

The official admitted that for the time being the Panamanian Government does not have a defined agenda to start a dialogue with the United States on a topic that is so "important" for the country's history and politics.

Panama and the United States were scheduled to start "exploratory" talks on the extending military presence on Panamanian territory past the year 2000, but they were postponed because the U.S. administration revealed that it would not pay rent for the bases.

Lewis denied that postponement of the talks was due to a conflict or differences on this issue between the two countries.

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Argentina

Deputies Discuss Patents, Trade With Brazil Officials

PY1112192395 Buenos Aires NOTICIAS ARGENTINAS in Spanish 2119 GMT 5 Dec 95

[Report by special NOTICIAS ARGENTINAS correspondent Silvina Alonso]

[FBIS Translated Text] Brasilia, 5 Dec — The Industry and Commerce Committees of the Argentine and Brazilian Chamber of Deputies today signed an official document here underscoring the "free determination of peoples to enact laws that defend national interests" from pressures exerted by third countries, and condemning "dumping" [preceding word in English] practices by South-East Asian countries.

In addition, the Brazilian and Argentine lawmakers agreed that technical committees from their countries and also from other Mercosur [Common Market of the South] member countries — Uruguay and Paraguay — will hold periodic meetings.

One question broached at the working meetings of the committees was tax differences and special treatment prevalent in free areas situated in Mercosur member countries, which is a source of concern for Brazilian and Argentine congressmen.

The meeting was presided over by Humberto Roggero and Avelino Pauderney, the chairmen of the Argentine and Brazilian Industry and Commerce Committees, respectively.

Among the Argentine delegation were Deputies Pedro Novau (the deputy chairman of the committee), Cristina Benzi, Mabel Rodriguez, Ruben Rojo, Esteban Martinez, Jose Luis Zavalia, and Julio Ibarreche.

One of the subjects on the agenda, namely the one pertaining to rules governing car imports, was not thoroughly analyzed because it will be discussed at the next bilateral meeting, which may be held in Buenos Aires in March 1996.

The "Document of Brasilia" refers — without mentioning names — to the Intellectual Property Protection Law, particularly to patents on pharmaceutical products, which is currently under discussion in both countries' Congresses.

At the request of the Argentine Industry and Commerce Committee chairman, an article was included underlining "the free determination of peoples to enact, through their Congresses, laws to defend national interests against pressures and demands by third countries, always respecting the freedom of Mercosur member countries."

This is a response — albeit implicit — to strong pressure by the U.S. Government on Brazil and Argentina to make them enact a patent law that safeguards the interests of American pharmaceutical companies.

On 30 November, the Industrial Chamber of U.S. Pharmaceutical Companies requested of U.S. Trade Representative Mickey Kantor the application of trade sanctions against Brazil and Argentina for their delay in passing a patent law.

During their meeting, the deputies on the Industry and Commerce Committees from both countries voiced concern about the "dumping" of textiles by South-East Asian countries.

Sao Paulo Deputy Enivaldo Ribeiro spoke in favor of establishing institutions to promote bilateral trade enhancements and economic development.

Roggero said he believes the industry committees of Mercosur partners "must make an in-depth analysis of common policies to defend themselves from unfair competition by third countries."

He added: "Mercosur member countries must implement common policies because unilateral decisions may be indicative of tricks by partners that adopts them."

The deputies established that in the area of bilateral trade between Argentina and Brazil, it was necessary to adjust transport fares and fuel prices.

Mario Cavallazzi, the deputy chairman of the Brazilian Industry Committee, said fishing boats from his country pay 30 percent more for the fuel they purchase in Argentina, whereas Argentine fishing boats pay 30 percent less whenever they buy fuel in Brazilian territory.

The Argentine counterpart to this Brazilian committee, the Radical Novau, proposed developing maritime, river, and rail transport as an alternative to road transport, which is very costly for Argentine companies that export products to Brazil and vice versa.

Another proposal Novau put forward was the search for common formulas within Mercosur to reduce high unemployment rates prevalent in member countries by exchanging information about business and investment opportunities for small and medium-sized enterprises.

Finally, the chairman of the Brazilian committee complained that the Brazilian and Argentine Congresses were not really involved in negotiations between their governments. He said: "We are not consulted about the signature of treaties."

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Pauderney noted that it is impossible to accord the same treatment to free areas in the four member countries since Manaus (Brazil) and Tierra del Fuego (Argentina) are far away from consumer centers in both countries, which does not occur with those located in Uruguay and Paraguay.

Pauderney manifested grave concern about the smuggling of goods from Ciudad del Este (Paraguay) into Brazil which, he said, "amounts to $13 billion per annum, thus causing a veritable drain on the Brazilian economy."

Document Signed With Brazilian Congressmen Highlighted

PY1112204695 Buenos Aires NOTICIAS ARGENTINAS in Spanish 2120 GMT 5 Dec 95

[Report by unidentified NOTICIAS ARGENTINAS special correspondent]

[FBIS Translated Text] Brasilia, 5 Dec (NA) — The following are the most salient points of the Brasilia Document signed today by the Industry and Commerce Committees of the Argentine and Brazilian Chamber of Deputies:

— Above and beyond redoubling efforts to bring their respective markets closer together, priority should be given to improving citizens' well-being and quality of life.

— To stress the importance of the present meeting as a political framework for future meetings that will be regularly held at a technical level.

— To underscore the role the plurality of interests in both countries' Congresses play in contributing to solve the main problems confronting Mercosur [Common Market of the South].

— To establish a plan for greater political and economic integration between both countries' provinces and states — including both countries' Congresses — particularly in dealing with and discussing fiscal matters.

— Periodic meetings to be held jointly by technical committees of both countries' Congresses in order to reconcile legislation currently in force in each country so as to facilitate the settlement of disputes.

— To make studies that will enlighten the executive branch in each Mercosur member country so as to establish agencies to finance and further develop trade relations in the region.

— To reaffirm their object of always leaving the Mercosur doors open to other South American countries.

Editorial Views Reasons for Castro's Trip to PRC

PY1112210295 Buenos Aires LA PRENSA in Spanish 8 Dec 95 p 13

[Editorial: "Fidel Castro in Beijing"]

[FBIS Translated Text] Fidel Castro's presence in the PRC — in which country he was for many years considered a "traitor" to Communism on account of his support for Stalin and opposition to Mao — should be seen as yet another attempt of the fickle man of Havana to ingratiate himself in the wake of the Ibero-American Summit of Heads of State and Government, his participation in the UN General Assembly, and his indifferent perambulation in some halls in the United States. It all leads one to conclude that the Cuban dictator feels exempt from any guilt or suspicion on account of his most inhumane record. This has become run-of-the-mill stuff in a considerable part of our planet while the Cuban foreign minister parrots the orders received from his boss, which entail the acknowledgment of having reached understanding with capitalism and even with Chinese communism, which only yesterday, he was wont to revile.

Castro was received in Beijing with due caution, given the fact the PRC has been carrying out the promise of using "good manners" since an official conclave laid down the false principle that reciting Adam Smith while acting in keeping with Mao's principles is but a sophism which has so far enabled the PRC to improve its "economic image," without precluding it from practicing slave and enforced labor in concentration camps while undertaking "joint ventures" [two preceding words in English] with foreign businessmen.

It seems as if the latest version of Communism, (particularly) in its (Chinese and Vietnamese) variants — which is making its way into Cuba — has come to a sort of vicious synthesis, in accordance with which it is possible to reconcile free enterprise with political dictatorship. This is clearly attested to by Fidel Castro's visit to Tiananmen Square, where thousands of students were massacred some years ago during a demonstration they were staging to protest against the excesses of the Maoist regime. The Cuban head of state did not go there to pay tribute to the victims, but rather to celebrate the repressive system of the communist regime at its best.

Has ideology become a thing of the past? Is it no longer taken into consideration for the coordination of an international policy? Is free trade the only important thing, so much so that other factors that in themselves delimit and condition it are bypassed? We do not believe that.

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In this farcical show, words and feints play the title role. Lies continue to be the essential ingredient of communist strategy. Nevertheless, in the mysteriously prophetic change of attitudes that are seen every day, there is a sort of gradual adaptation to (economic and political) rules and doctrines which only yesterday were acridly criticized. We are heartened by the belief that the residual character that is seen in extant communist regimes is indicative of a worldwide move in the search for survival, something which obviously, the West does not encourage.

Salazar Takes Oath as Senator for Chaco Province

PY0812184995 Buenos Aires CLARIN in Spanish 7 Dec 95 p 2

[FBIS Translated Excerpt] Horacio Salazar (PJ) [Justicialist Party] yesterday took his oath of office as the third senator for Chaco Province, after the Senate Constitutional Affairs Committee, dominated by the PJ, appointed him to replace Elda Pertile, a Chaco Action leader.

Salazar had lost an election in the Chaco provincial congress, when he received 12 votes from the PJ and Pertile, who was supported by an alliance between the Chaco Action and the UCR [Radical Civic Union], received 17 votes. [passage omitted]

Brazil

Data: Policy for Amazon Region Occupation 'Failure'

PY0812155695 Sao Paulo AGENCIA ESTADO in Portuguese 1947 GMT 5 Dec 95

[Report by Paulo Vasconcellos]

[FBIS Translated Text] Rio de Janeiro, 5 Dec (AE) — The first data bank on the Amazon Region, which resulted from an agreement between the Brazilian Institute of Geography and Statistics (IBGE) and the Strategic Affairs Secretariat (SAE), reveals what everybody has already guessed: The policy for the occupation of the Amazon Region has been a failure.

The IBGE published on 5 December in issue No. 14 of the "IBGE Letter" the announcement of the end of the "Environmental Diagnosis of the Legal Amazon Region" project, which started in 1991. The IBGE experts have reached the conclusion that there are 13 different regions within the Amazon Region, and that these regions are in a critical political, social, economic, and environmental situation. Eighteen million people live in the region, which represents 60 percent of the national territory. Urban concentration, however, is so great — 70 percent of the people live in cities and villages — that the image of a huge forest still prevails.

IBGE President Simon Schwartzman said: "The area covered with vegetation still occupies most of the region. The important thing is that we need an integrated policy for developing the Amazon Region. The policy we currently have is a disaster."

One of the most visible disasters is deforestation. From 1970 to date, 50 million hectares have already been deforested. This area is equivalent to twice the area of Sao Paulo State. The largest areas deforested in the last few years were in Mato Grosso State and in the south of Maranhao State. This occurred due to the fact that more and more areas are being planted with soybean.

In the recently conducted study, which was a heavy-duty task that will allow the government to draft a new policy for the region, experts have discovered other reflexes of the predatory policy adopted by the government to develop the region. High urban concentration reveals that the methods adopted to occupy the Amazon Region do not absorb labor and end up by causing environmental problems in the cities.

In Manaus, for example, bayous have been transformed into black channels for lack of sewers. In Maranhao, which has the largest rural population in the region and totals 64 percent of the overall population, the situation is no better. As the state registers the largest concentration of land [as published], even those who live in the countryside live along roads and cannot employ the local labor potential.

These difficulties result in problems that go beyond rivers polluted by gold prospectors or by the trees felled due to deforestation. River springs that form the region's hydrographic basin are seasonal and run the risk of disappearing. Holes caused by erosion are as much as 8-km long and 1-km wide and cut across Maranhao and Mato Grosso like scars.

"Although the Amazon Region has a rain forest, which has formed more than 10,000 years ago, its soil was formed in a previous period, when the climate in the region was still dry and even semi-arid. Therefore, deforestation and one or two heavy rains are enough to erode the soil," Antonia Ferreira, IBGE Natural Resources researcher, said. Schwartzman added: "We must recover the Amazon Region. We can no longer think that we can either exploit 100 percent of the Amazon Region or leave it 100 percent intact."

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Editorial Views Government's 'Shaken' Credibility

PY0812145095 Rio de Janeiro JORNAL DO BRASIL in Portuguese 3 Dec 95 p 12

[Editorial: "Nothing Will Be The Same"]

[FBIS Translated Text] From now on, President Fernando Henrique Cardoso will hardly be the same president. He will no longer be able to say that "it is easy to govern Brazil" considering the impact the revelations about influence peddling and wiretapping in the president's entourage have had on public opinion.

In its second year in office, this administration will be headed by a more experienced president. Cardoso's period in office is committed to deep reforms, which he promised during his electoral campaign. These reforms took the shape of proposals the government sent to Congress and they depend on political accords. Cardoso never considered the possibility of having to administer the country in an atmosphere of crisis.

A man with a sense of public morality and above suspicion such as Cardoso cannot be insensitive toward actions that are incompatible with the dignity of his mandate or with the Constitution and which he has only learned about due to the strong repercussions they had. President Cardoso's face has been showing the effects of the blow he received exactly from those he least expected.

The shadow of disappointment on the president's face is a good sign. The nation expects, however, that Cardoso learn — soon — how to swiftly overcome personal shock and begin to face the challenge of administering the crisis that pulled the rug out from under his feet, instead of allowing the crisis to make a victim of him. Everyone hopes the new year consecrates him as a president with full political initiative, who has resumed his position at the head of the reform process.

Brazil cannot reach the new century without getting rid of the last remains of backwardness it has experienced in past centuries. These reforms are the bridge to the 21st century. The country wants to again witness the president's enthusiasm for approval by Congress of the reforms that made the people elect him and which he owes to the country. This is the spirit people perceive in the administration that has been hurt by moral betrayal and become paralyzed by it.

No administration can prosper in an atmosphere of consecutive small crises that end up resulting in a large one. Cardoso has been caught in a crisis that has unpredictable consequences. If he does not administer this crisis well, and fast, he runs the risk of having to head a politically invalid administration for the rest of his period in office. There is a counterproductive hiatus between the announced decisions, the implementation of the measures, and the results obtained from them. A touch of spontaneity hidden behind words and actions permeate the administration.

The Federal Police [PF] lied methodically to obtain the judge's authorization to record the phone talks. The PF lied again in order to disguise this abuse of power case, and will continue to tread this same path without return. The PF thus has no credibility to say that presidential privacy has not been violated. In addition to hurting the democratic feelings of society, the incoherence of reports that do not match, was like a bolt of lightning that hit the president. Cardoso is surrounded by comments that make the government look more and more responsible for the crisis.

Like any citizen capable of confronting words and facts, President Cardoso knows that echoes of the influence peddling and phone-bugging cases burden his administration with an unfair distrust, despite the fact that the people do not charge him with knowing beforehand what was happening. The president must, however, know all details in order to solve this crisis that has ramifications in Congress, where the idle political capacity seeks to profit from this unexpected opportunity. Cardoso must reestablish the truth and use it to rescue the government's shaken political credibility.

It is enough to observe the reactions of some individuals who had been left aside for lack of credibility: They became exhilarated in face of the government's lack of initiative as if they had come by a golden opportunity. An event out of the president's control was necessary to allow the Brazilian Democratic Movement Party to emerge as the determining factor and to tip the scale toward the side that offers the party more benefits.

Delay in reacting or a disorderly reaction are signs of political absentmindedness. Leaders are tested in difficult moments and it is then that the loyalty of the leaders' allies is tested. It was not the moment for charismatic solutions, but for consultations and accords to strengthen the regime and redirect the administration's actions toward their natural channels.

The crisis shows that President Cardoso was wrong to take responsibility for the political coordination of his administration. The first crisis that proved a little more serious stained the entire government palace circle, including himself.

Among the lessons offered by this crisis is the awareness that the president alone cannot overcome all the obstacles of his period in office and that, at the same time, no crisis can be overcome without him. It is never easy to govern a country, and to govern Brazil is less

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easy still. Therefore, it is time to leave perplexity behind and again resume a new government cycle that began in the ballot boxes and with the promise of implementing the reforms the president promised during his electoral campaign and for which the Brazilian people have been waiting for too long.

The president's face will no longer be as cheerful as it used to be. We all know how the crisis started, but we don't know how it will end. National public opinion wants the president to resume his initiatives, bring his administration in line with his manner of conduct, and continue to implement the reforms that are his historic trademark. Only these reforms can ensure political stability and consolidate democracy.

Sale of Banco Nacional to Unibanco Detailed

96SM0025A Sao Paulo VEJA in Portuguese
15 Nov 95 pp 32-37

[Article: "Eyeing the Piggy Bank"]

[FBIS Translated Text] *Using taxpayers' money, the government is issuing an MP [provisional measure] to downsize the financial system and facilitate negotiations between Banco Nacional and Unibanco.*

Helping Hands

With last week's provisional measure, the government is trying to encourage a downsizing of the financial system through mergers and the acquisition of banks. Its immediate goal is to help Unibanco and the Banco Nacional get together. Here are the main points in that MP:

1. Banks acquiring other banks will be entitled to a line of government financing with which to reorganize the new firm—at an interest rate that must be below the market rate. Once again, that money is being given by the state to businessmen in the financial sector.

2. The purchasing bank will be able to deduct from its income tax the loss on the books of the financial institution it absorbs. In other words, it is up to the taxpayer to pay the bill for poor management by bankers.

3. The law entitling shareholders in a purchased bank to sell their shares for the amount shown on the institution's balance sheet will be suspended through the end of 1996. They will have to sell their shares on the market. In other words, the same Central Bank that approved fictitious balance sheets is now pushing small shareholders into the stock market, where their shares are worth as much as 40 percent less.

With inflation under control, reserves on the increase, and industrial activity moving at a good clip, the financial system is now the chief concern of Fernando Henrique Cardoso's administration. Contrary to fears during the first half of the year, which were focused on Angelo Calmon de Sa's management of the Banco Economico, the administration's concern now is not with this or that bank, but with the financial system as a whole. Proof of this is provided by Provisional Measure No. 1,179, which was drafted on Friday night and published in the DIARIO OFICIAL last Monday. In only three articles, 38 lines, and the shaky Portuguese characteristic of official communiques, the government is establishing by means of that provisional measure the Program To Encourage the Restructuring and Strengthening of the National Financial System (Proer) and announcing a new era for a sector that grew robust when inflation was hitting 80 percent per month. With the real's victory over the price indicators, the end result in Brazil was too many banks with too little money. And that is where the MP comes in to encourage the downsizing of the system through mergers between banks or the purchase of one by another. The government's expectation is that by the end of Fernando Henrique's term of office, the system will be half its current size.

For two banks that have been carrying on a secret courtship, the MP is a gift from heaven. For over three months, the Banco Nacional and Unibanco have been stitching together a deal that may result in the birth of the biggest bank in the country (see the final paragraphs in this article). That deal is of more interest to the Banco Nacional than it is to Unibanco. In the middle of the first half of this year, the Magalhaes Pinto family's bank was operating with 1 billion reals in cash. Today it is over 3 billion reals in the red. The MP is also welcome news to Minister Jose Eduardo Andrade Vieira's Bamerindus. In a recent conversation with a government colleague, the minister revealed that his bank had had to make a huge capital contribution of about $200 million to its New York branch. The minister's bank, which ranks third among the country's private banks, is looking for partners willing to invest $500 million in Impacel, the organization's problem company—a paper mill into which Bamerindus has already sunk 700 million [currency not specified].

The team at the Banco Economico was also considerably encouraged by the provisional measure and is promising to facilitate its passage by Congress. So much so that the original rapporteur for the MP was Senator Vilson Kleinunbing (PFL [Liberal Front Party], Santa Catarina). He decided to criticize the government's generosity toward the banks, and the congressional bloc

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from Bahia tried to replace him with Benito Gama, who also belongs to the PFL but is from Bahia. Besides those big shots, it is estimated that of the 246 Brazilian banks, 150 have applauded the provisional measure. They are banks which, in one way or another, have felt in their flesh the effects of economic stabilization. "The banks went through a process of adapting to inflation," says Minister of Finance Pedro Malan. "Now they will also have to go through a process of adapting to life without inflation," he says. "We are issuing the MP to prevent a crisis of confidence in the system," says Gustavo Loyola, president of the Central Bank. Straightening out a financial system in difficulty is the unquestionable obligation of any country's government. According to that thinking, MP No. 1,179 would lead to the best of all possible worlds—if it were not for three simple facts. First, the system's difficulties are having a high economic cost, since the government, acting through the Federal Savings Bank and the Bank of Brazil, is rolling over loans on the order of from 7 billion to 10 billion reals every day for banks in difficulty to prevent the latter from going broke. Second, mergers and acquisitions cost a hell of a lot of money, and it is the taxpayer who is going to pay for the poor management of the banks. "That adjustment of the financial system will cost some 10 billion to 12 billion reals," Deputy Delfim Netto estimates. And, lastly, the MP will carry a political cost because the government, which is so watchful when it comes to spending money on health, for example, is going to inject a whole pile of money into the banks.

Laurel and Hardy

A banker considers selling his business to a competitor only when he is experiencing some kind of difficulty that cannot be ignored. Otherwise he will agree only to discuss companies. But selling a bank involves problems, no matter how minor they may be. To encourage a merger or purchase, the government must make other bankers believe that buying a tattered institution is worthwhile. The MP used the only argument capable of making someone buy something he did not want before: money in the pocket. Starting now, according to a Central Bank resolution published in conjunction with the MP, banks that acquire other banks are entitled to a government line of credit for reorganizing the new firm. The size of that line of credit and its details have not yet been worked out. The only thing known is that besides being public money, those loans will carry attractive interest rates—below those charged in the market. The purchasing bank will also be able to lower its tax liability and reduce the amount of income tax it owes by the loss it assumes from the institution it acquires.

The measure also pulls a fast one on the minority shareholder—the one who believed in the bank and put together a portfolio with that institution's securities. Until December of next year [1996], if a minority shareholder in a bank involved in a sale or merger decides to sell his shares, the bank will no longer be obligated to buy them back at their book value—that is, the amount stated on the balance sheet. The shareholder will have to sell them in the stock market, where shares usually sell at a discount amounting to 40 percent in some cases. Even though everyone knows that bank balance sheets are usually as serious as a movie by Stan Laurel and Oliver Hardy, the Central Bank [BC] and the Securities and Exchange Commission have always regarded them as the official expression of the truth. But now that it is a question of making the purchasing bank pay the small shareholder, the BC is saying: put them on the market. "It was a way of speeding up the process of buying those banks and making it more expeditious," explains Jose Ferreira, the Central Bank's attorney.

Like Rabbits

The 246 banks now operating in the country have 27,000 branches and service centers—a machine moving $37 billion, or six percent of GDP [gross domestic product]. When there was inflation and plenty of money, they handled four times that much. In 1988, when the Constitution did away with the system of letters patent and made it easier to open banking institutions, they multiplied like rabbits. Banks were being established at the rate of one a week. Stock brokers and distributors became banks. Owners of consortiums opened banks, and manufacturing companies and supermarkets that knew nothing whatever about the financial system also opened banks of their own. Since that year, 137 banks have opened in Brazil. It was a binge that benefited the government to some extent, since the raw material fueling that banking spree was inflation in the form of government securities on the overnight market. Now that inflation is low and money scarce, most of the banks have been caught short.

Since July of last year, the Central Bank has liquidated 15 banks and intervened in six others. The most tumultuous case was that of the Banco Economico. Pressured by the government to keep the bank going as long as there was hope of rescue, Bahia baron Angelo Calmon de Sa was willing to do so only because he wanted to keep on being a banker. The conniving government allowed the baron to cheat and swindle and end up producing a bad debt of 3.5 billion reals to be fraternally distributed among the taxpayers. Before the MP came along, what banker would be crazy enough to inject billions of reals as a start toward reorganization?

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Under this new measure, candidates to buy the Banco Economico may turn up, especially since the Treasury will be their partner. "Governments are very concerned about the system because a bank panic shakes the entire economy," Deputy Roberto Campos explains.

Only the 40 Largest

By Wednesday of this week the Central Bank is promising to issue two circulars providing details on the MP. In one of those circulars it will change the rule stipulating the minimum size of a bank wishing to purchase another. The purchasing bank currently must have assets 2.2 times greater than those of the bank it wants to acquire. The circular is expected to lower that limit by half. This means, for example, that Unibanco will be able to buy all of the Banco Nacional. The second circular will make it clear that public money will not be available to the entire financial system but only to those institutions the BC chooses. "We are going to issue rules as to when we must and must not use those facilities for bank mergers," says Gustavo Loyola. According to one expert at the BC, the benefits will apply only to big banks ranking among the 40 largest. When it comes to the others, let them go broke.

This means that the smaller banks had better be careful. They are banks of less importance as far as the government is concerned. They discount trade acceptances, sell CDB's [bank deposit certificates], handle checking accounts, lend money, and grant financing. They do a little of everything. It is among those small and medium-sized general-service banks that the government wants to see the big guys swallow up the little guys. "Some of those banks lack the necessary profile or technical capability to engage in activities appropriate to financial institutions," says the explanatory statement accompanying the MP. "The banks were mistaken about their degree of profitability," says Francisco Gros, former president of the Central Bank.

Large retail banks such as Bradesco or Itau are in different situations. They will not have to change much. That leaves the specialized banks such as the BBA [expansion not given], Matrix, Icatu, and Pactual. The latter handle foreign exchange and investments, and they, too, will not have to change because they are banks in step with the new international financial reality. Bankers know that the financial market in Brazil will never be the same again if inflation remains under control and the country enters a new phase of growth. There will be plenty of room for retail banks, but that space is already occupied. The banks that are left and want to survive will have to find foreign partners—something that some are already doing or trying to do—because the new word of command will be to obtain lines of financing or capital to support domestic industry. "Five years from now, there will be only five or six large retail banks," claims Henrique Meirelles, president of the Bank of Boston. "There is not enough room for everybody to become a giant."

Foolish Courage

The MP is going to authorize an additional expenditure of $10 billion or $12 billion because the government was slow to take action. "If the measure had been adopted earlier, it might not have been so expensive," says Delfim Netto. The delay has amounted to about four months, and President Fernando Henrique himself is irritated by it. "There is an economic and political cost to the measure, no doubt, but things would be even worse if we had to face a situation like that in Venezuela," says one minister. He is referring to the difficulty that President Rafael Caldera got involved in starting in June of last year, when he was forced to saddle the nation with a painful package involving a price freeze and even a suspension of such constitutional guarantees as the right of ownership. It was not an anti-inflationary plan but an antidesperation plan. The fuse setting off the "Caldera blast," as the package came to be known, was the bankruptcy of the Banco Latino, the country's largest bank in terms of deposits. Its failure dragged eight other private banks down with it, and the system ended up being nationalized. In a frightening run on the banks, checking account holders withdrew the equivalent of 30 percent of GDP. And 1.2 million Venezuelans, or 10 percent of the adult population, wound up with no money. To get things under control, the Caracas government had to issue over $6 billion in currency—the equivalent of 10 percent of GDP.

The difficulties in the financial system cannot be blamed entirely on the end of inflation, the slowness by bankers in adjusting to the new context, or the government's delay in preventing the situation from deteriorating. Responsibility rests with the government at a deeper level. First the Ministry of Finance adopts a radical policy on some key issues, but then when the situation gets complicated, it beats a bungling retreat. That was the case with the stratospheric interest rates. Being kept too high, they forced, and are still forcing, thousands of firms and individuals to simply stop paying the banks, which, having too many bad debts on their books, are ruined. Since they are going to fail, that same Ministry of Finance is making the Federal Savings Bank and the Bank of Brazil lend to the banks, and now it is also issuing the MP on mergers. A similar mechanism operated in the case of agricultural policy. The Ministry of Finance courageously kept the TR [reference interest rate] higher than inflation. Interest

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rates soared so high that farmers—both the deadbeats and the honest—went broke. Then the Ministry of Finance provided generous help: 7 billion reals in securities. Still courageous, the government has kept interest rates sky high, the states and municipalities have gotten embroiled in debt, and now assistance amounting to $2 billion is being considered. That being the case, why not have a more reasonable economic policy instead of these abrupt shifts from systole to diastole which alternate between tightening everything and freeing up everything? Perhaps because the economic policy is still a little haphazard, with the government unable to decide which path to follow and Fernando Henrique growing accustomed not to taking action on still-undefined scenarios but to reacting to extreme situations.

Fierce Expert on Financial Laws

Stepping from the shadows of the bank merging picture into the limelight last week was a discreet and reserved man with very few friends. Now 71 years old, jurist Jose Luiz Bulhoes Pedreira joined the team working on the provisional measure as the country's best equipped standard bearer on that subject. "The provisional measure was not drafted by Bulhoes, especially since he writes very well and the text of the measure is horrible," says one jurist. But Bulhoes Pedreira left his fingerprints. Two Rio de Janeiro attorneys who follow his actions closely say that Bulhoes gave suggestions when the MP was being drafted. "He talked to a lot of people in the government and informed them about the matter," says one of those attorneys. A high official in the government confirms that statement: "There were conversations with him," he says laconically.

Bulhoes Pedreira is considered to be the country's most highly regarded expert when the subject is taxation or corporations. Since 1964 he has had a finger in almost every important law passed in Brazil to regulate economic and financial activities. Among his creations are the Law on Capital Markets, the former Housing Finance System, various income tax laws, and even the White Collar Law. Besides possessing encyclopedic knowledge, Bulhoes is a friend of Unibanco's Moreira Salles family and the Banco Nacional's Magalhaes Pinto family, and he has closely monitored the negotiations between the two. "He has been acting more as a family physician who holds the patients' hands and indicates the smoothest paths in possible times of crisis," says one friend.

The son of Mario Bulhoes Pedreira, one of Rio de Janeiro's best criminologists, he has a passion for music and technology. "Bulhoes began using computers when few people in Brazil had those machines," says a former colleague. He is also famous in legal circles for his knowledge of mathematics. "It is not by chance that he has written so many laws for the financial market," says one of Bulhoes' rival tax experts. Now in his second marriage, the jurist has lived in an apartment at the Copacabana Palace Hotel for 20 years. Fond of the sea, he was the first person, in his youth, to have a sightseeing boat in Guanabara Bay. His love affair with the sea was tragically interrupted when one of his two sons drowned in an undersea fishing accident. The body was never found.

Sixth-Largest Eyeing the Seventh-Largest

The sport of the moment in the financial market consists of speculating on how the marriage between two giants in the banking world—the Banco Nacional and Unibanco—will take place. The two have been carrying on a secret courtship for the past few months. First there was talk of a merger between the two banks, a move that would have produced the country's largest private bank. Now the talk has changed. Now the parties are talking about selling a piece of the Banco Nacional to Unibanco. By "parties" we mean the Moreira Salles family, which owns Unibanco, and the Magalhaes Pinto family, which controls the Banco Nacional. Under that plan, Unibanco, which is the sixth largest bank in the country, would buy the Banco Nacional's retail operations, meaning its branches serving ordinary customers. The Magalhaes Pinto banking firm, which currently ranks seventh, would continue to exist, perhaps even under the same name, but it would be smaller than at present and would devote itself solely to handling investments. The two families, which have been negotiating directly, have already agreed on at least one thing. If negotiations are successful, the Magalhaes Pintos will be paid in Unibanco shares.

Executives from both banks have visited Brasilia more than once to inform directors of the Central Bank that negotiations are under way. The president himself, Fernando Henrique Cardoso, has been kept informed of the negotiations. "Talks have made progress, but this is not something that can be finalized over the next few days," says one expert at the BC [Central Bank]. The agreement, which is difficult in itself, is resulting in another difficulty of an emotional kind: some members of the Magalhaes Pinto family feel that they can go on alone, and that the current phase of difficulties is temporary. During a conversation with her brothers two weeks ago, Ana Lucia Magalhaes Pinto, one of the heirs to the Banco Nacional, said she could see no sense in the merger. She argued that the family bank had a good reputation and that the danger of the Banco Nacional's going broke and being unable to honor its commitments

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was not only remote but highly improbable. According to her line of reasoning, intervention in the Banco Economico was removing the danger of a jolt at the Banco Nacional, since intervening in another major bank would serve no purpose for either the government or the financial system.

Ana Lucia, who is married to Paulo Henrique Cardoso, the son of the president of the Republic, was told by her brothers that her analysis might be correct in the current scenario. After all, there has been no lack of money so far at the Banco Nacional, which has been obtaining financing from other private banks and—with difficulty—from the Bank of Brazil and the Federal Savings Bank. Over the longer term, however, no one can guarantee that that financing will continue. Marcos Magalhaes Pinto, president of the Banco Nacional, explained to his sister, Ana Lucia, that he was concerned about the bank's future. "This debate is leaving family emotions in tatters," says a friend of the Magalhaes Pintos. An adviser to President Fernando Henrique who is keeping tabs on the talks between the bankers feels that because of those technical and emotional difficulties, the negotiations are so tangled that it will be hard to reach an agreement.

"Dropping One's Pen"

Unibanco and the Banco Nacional have a great deal in common. Both got their start in Minas Gerais—Unibanco, which dates from 1924, is 20 years older—and both belong to traditional families. Walter Moreira Salles, patriarch of the Unibanco clan, served twice as ambassador to Washington and was minister of finance in Joao Goulart's administration. He has four children. Two are active in the business, and two are moviemakers. Jose Magalhaes Pinto, founder of the Banco Nacional, was governor of Minas Gerais and a senator. Now 86 years of age and ill, he is not even aware of the negotiations with Unibanco.

At one time the Banco Nacional was operating by "leveraging" up to 15 times its assets, whereas the normal practice is to lend the equivalent of 10 times one's assets. According to other bankers, the Banco Nacional had lent too much without paying much attention to the stratospheric interest rates. The wave of defaults began in March, and the number of loans in liquidation (unpaid loans which the bank will have to collect through the courts) has grown rapidly. The bank's profitability, already down because of the end of inflation, has dropped even further.

Family resistance is not the only problem facing Marcos Magalhaes Pinto as he tries to put the deal across. Within the bank itself, there has been opposition from the board of directors. With Arnoldo Oliveira, currently vice president of the Banco Nacional, in the lead, a faction of executives felt that the talks were unnecessary and that the bank was capable of overcoming its problems by itself. "That was in the beginning," says a friend of Rodrigues [as published]. "Now the executives are no longer even debating whether the sale is a good thing: what they are complaining about is the way in which things are being handled." Lacking direct access to the negotiations, the Banco Nacional's executives are criticizing the silence on the part of Magalhaes Pinto, who has never explained what is happening to the bank's employees or to the market. "That ends up making employees nervous and depositors, who are confused by rumors, insecure," says a bank attorney in Rio de Janeiro. Several Rio de Janeiro banks have recently been receiving telephone calls from Banco Nacional executives putting out subtle hints that they are looking for new jobs. In the bank itself, employees have been working dispiritedly, something known in banking jargon as "dropping one's pen."

In financial circles, other bankers are paying close attention to the talks between the two families. Unibanco reportedly will take over the Banco Nacional's checking account customers and loan operations, and the investment bank that the Magalhaes Pintos will then be left with will have a team of executives recognized in the marketplace as being the most competent in the country. That plan would leave something unresolved: the matter of the Banco Nacional's 335 branches, which might be sold to third parties. Citibank and the Bank of Boston are evaluating the possibility of purchasing some of those branches. "If any bank makes a good site available, we may buy," says Henrique Meirelles, president of the Bank of Boston.

Unibanco is the country's sixth largest bank. According to Austin Asis, "Analysis of Financial Institutions," its net assets total $1.2 billion. The companies it controls have assets worth $660 million. It expects a profit of $75 million in 1995. It has 463 branches and 18,747 employees. It has a loan volume of $5.5 billion and $5.6 billion in deposits. Operating expenditures: $590 million.

The Banco Nacional is the country's seventh largest bank. According to the same source, its net assets total $1.1 billion. The companies it controls have assets worth $670 million. It expects a profit of $85 million in 1995. It has 335 branches and 13,870 employees. It has a loan volume of $6.6 billion and $2.6 billion in deposits. Operating expenditures: $510 million.

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Correction to Economico Bank 'Financed' Campaigns

PY0912012995

The following correction pertains to the item headlined "Bank Allegedly 'Financed' Political Campaigns," published in the 8 December Latin America DAILY REPORT, pages 25-26:

Page 26, column one, first full paragraph, last sentence make read: ...because the issue already fell under the statute of limitations on 31 December... (rewording)

Chile

Foreign Minister Views Progress in Mercosur Talks

PY1212024195 Santiago EL MERCURIO in Spanish 8 Dec 95 pp A1, A20

[FBIS Translated Excerpt] The Chilean Government yesterday voiced its satisfaction over the progress experienced by the negotiations with the Common Market of the South (Mercosur), adducing that an equilibrium is being established, for example, regarding products that will be initially excluded from the custom tax reduction program.

After the parties experienced a setback in this regard during the technical meeting they held in Montevideo last week, the pressure exerted by the governments made it possible to resume negotiations and now there is talk about margins of 10-12 percent of goods that will be included on the list of exceptions for Chile regarding Mercosur and vice versa.

The partnership agreement Chile hopes to sign with the subregional bloc provides for a trade liberalization process, which will include the multilateral implementation of the concessions currently in force and the establishment of an initial 40 percent customs tariff reduction, which comprises approximately 90 percent of the customs tariff universe.

The foreign ministers of Chile and the Mercosur member countries yesterday agreed to extend until 31 March the preferential custom tariffs provided for in the bilateral agreements that should have been eliminated as of 1 January 1996 in order to implement the bloc's customs union.

Despite the 90-day extension established by the parties, the respective governments are willing to reach an agreement as soon as possible.

Chilean Foreign Minister Jose Miguel Insulza explained that: "Neither Chile nor Mercosur have any problem extending these preferences throughout 1996. We are ready to reach an agreement in the short term and this is what the text of the declaration (issued by the foreign ministers in Punta del Este yesterday) wants to point out. Extending the preferences for one year would have given exactly the opposite impression, that is, that this was postponed for an indefinite period of time."

Insulza thus refuted versions questioning the fact that Mercosur extended for only three months the preferences for Chile, when it had extended them for one year for other Aladi [Latin American Integration Association] members.

Insulza said that although there is will and definite possibilities of reaching an agreement in the short term, it was neither possible to extend the preferences for only 15 days or a little longer because that does not give the economic operators any guarantees.

The minister explained that the next technical meeting was scheduled for Monday, 18, after determining that it was the earliest the parties would be able to sit down again around the negotiating table.

He said that Mercosur had made a couple of proposals that the Chilean experts will have to assess early next week; after that the bloc will be busy with the signing of the agreement by their presidents with the EU's chiefs of state and government in Madrid on 15 December, and that only on the 18th can the negotiations with Chile be resumed. [passage omitted]

Spanish Senate Chairman Praises Accord With EU

PY1112231695 Santiago EL MERCURIO in Spanish 7 Dec 95 p C3

[FBIS Translated Text] Spanish Senate Chairman Juan Jose Laborda yesterday asserted that the Chilean authorities should not regard as unimportant or trivial the EU's political decision to sign an agreement with their country.

The legislator, who is visiting Chile, yesterday met with President Eduardo Frei. They assessed the progress of the EU-Chilean negotiations and the role the Spanish Government plays in these negotiations. Spain currently holds the Presidency of the EU.

Laborda said that Spain believes it is important that Chile have a clear juridical framework to endorse the export plan being promoted.

He said: "I reiterate our support so that that Chilean aspiration, which we feel is fair and interests us, may materialize as soon as possible."

In Brussels the EU agreed to sign a political declaration with Chile which refers to the signing of a bilateral agreement. However, the terms of the agreement were not established so its signing has been postponed until the first half of 1996.

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In referring to this subject, Laborda said that Chile will find it hard to understand the "complicated and bureaucratic" way in which the European administration works.

"But I must tell you that Chile has made an important achievement by obtaining the approval of the political declaration, because it marks the starting point of an irreversible process through which Chile will, undoubtedly, have a chance of going a step further," Laborda said.

He asserted: "The decision is not trivial, it is not unimportant, and I believe it represents an achievement of the Chilean foreign policy."

When asked how broad the agreement the EU is willing to sign could be, Laborda said that Chile has made various proposals in the negotiations, seeking a juridical guarantee, and the important thing is that it obtain as many of its aspirations as possible.

He said: "That is Spain's stance, we are giving our support because, among other things, Spain is betting on Chile."

Laborda then said: "Whatever the results of the negotiations may be, one must always make concessions in negotiations; the important thing is that Chile know, in writing, under what terms it may export to Europe."

Party Head: Former Military Leaders Anti-Reformist

PY1112232895 Santiago EL MERCURIO in Spanish 2 Dec 95 p C2

[FBIS Translated Excerpt] Alberto Espina, acting chairman of the National Renewal Party [RN], yesterday asserted that the recent declaration by a group of former members of the military regime, who oppose the constitutional reforms, is part of a political maneuver designed to thwart the consolidation of a rightist democratic and progressive project such as the one the RN seeks to implement.

He mentioned former Ministers Carlos Caceres, Hernan Buchi, and Sergio Onofre Jarpa as being involved in this maneuver and accused them of being unstable and inconsistent with the stance they have been upholding regarding this issue during the recent past.

Espina charged that the RN's stance regarding the constitutional reforms is being distorted and reiterated his challenge to the former aides of the military regime to hold a public debate on the issue.

Espina said: "We are facing a political maneuver that seeks to thwart a rightist democratic, modern, and progressive project by trying to exert pressure on the RN's legislators."

He emphasized that the origin of this alleged plot comes from certain sectors who fear their interests will be affected with the surfacing of an autonomous rightist sector.

Although he asserted that the people who this week signed a declaration in favor of the constitutional stability deserve great respect, he said that some of them "live in a glass house the size of a cathedral." [passage omitted]

Navy Launches 'Unique' Patrol Boat for Mauritius

PY1212005995 Santiago LA TERCERA DE LA HORA in Spanish 7 Dec 95 p 10

[Report from Talcahuano by Mario Aravena M.]

[FBIS Translated Excerpt] The christening and launching into the sea of the patrol boat Vigilant, built in the Navy Shipyards and Ordnance (Asmar) for the Mauritius Islands (Oceania) government, represents a historic landmark in Chilean naval construction.

Asmar administrator Rear Admiral Jorge Sweet commented that "we obtained the patrol boat project by competing openly with other great international shipyards. This grants us great confidence to continue along this line. Moreover, the important aspect of this ship is that it is unique. There is no other ship like it. It is not a warship like the ones our Navy has, but rather a ship to patrol the maritime territory of the countries."

He said it is an inexpensive ship and may become of interest for many nations. Therefore, we have great hopes the Vigilant is the first of a new production line. [passage omitted]

The Vigilant costs approximately $15 million. The investment was shared with a Canadian consortium that designed it and supplied a great part of the materials used to build it.

The ship is prepared for patrolling activities and to control the commercial and custom activities, and for inspections.

Moreover, it can carry out search and rescue operations, prevent oil spills, emergency towing services, medical assistance, and fight fires on other ships. [passage omitted]

Building of the Vigilant started in 1994. It has a maximum length of 75 meters; a width of 14.5 meters; water depth of 3.5 meters; a displacement of approximately

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1,300 tonnes; its tanks can carry up to 382 cubic meters of fuel and water tanks up to 45.6 cubic meters of potable water.

Colombia

Ministerial Changes 'Expected': 5 Leaving, 5 'Shaky'

PA1212014995 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 12 Dec 95

[From the "Seven O'Clock News" newscast]

[FBIS Translated Text] It is expected that ministers will be replaced next week. Five are leaving and another five are in a shaky position.

The ministerial changes that had been expected to take place this week will be delayed a few more days, but will take place next week for sure, after the Accusation Committee's decision on President Ernesto Samper has been thoroughly discussed in the political arena.

The sectors that accept the committee's decision will form part of the cabinet. The changes in faces at the ministries will be greater than has been anticipated.

For the time being, we can confirm that the following will leave the cabinet: Justice Minister Nestor Humberto Martinez, Labor Minister Maria Sol Navia, Environment Minister Cecilia Lopez, and Foreign Trade Minister Daniel Mazuera, who has already resigned.

Two conservatives will fill the Justice and Foreign Trade Ministry posts. One of these ministers-to-be is from the union sector.

One of the ministers who could either stay or leave is the until- now-irreplaceable Interior Minister Horacio Serpa, and Communications Minister Armano Benedetti is another.

The future of the health, mines, and agriculture ministers in the cabinet is uncertain.

Accusations Committee: No Conclusion on Samper

PA1212050195 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0230 GMT 12 Dec 95

[Report by Gloria Congote; from the "QAP News" newscast]

[FBIS Translated Text] After 13 hours of deliberations, the Accusations Committee did not arrive at any conclusion on President Ernesto Samper's fate.

QAP has learned about the main points presented by investigator Heyne Mogollon in this case.

Mogollon made a detailed analysis of the 27 testimonies that were placed at his disposal. He has characterized Santiago Medina's declaration as vague, inconsistent, and full of contradictions.

In Medina's declaration, Mogollon found no evidence that President Samper committed any crime and this is why he has asked the members of the Accusations Committee to endorse his inhibitory resolution.

Heyne Mogollon did not reject that money of dubious provenance was used in the presidential campaign. Mogollon said this could have happened in spite of the precautions then-candidate Ernesto Samper adopted.

Mogollon noted that the witness — Santiago Medina — gave the money to Alberto Giraldo so that he would make it reach the Samper presidential campaign's coffers. But according to Mogollon, it has not been established whether or not this was the money's final destination.

Mogollon concludes that without a doubt, according to him, this evidence is not enough to serve as legal grounds for a formal investigation against the president of the country.

Mogollon says that Medina has been caught in huge contradictions and has made ethereal, gaseous, and generic charges that have turned his deposition, not into an accusation, but into a bunch of vague and imprecise ideas that by themselves throw doubt on any remote truth in his statement.

According to Heyne Mogollon, this preliminary investigation has found no fact or evidence that has been shown to this committee that Dr. Ernesto Samper Pizano has taken an active part in any criminal activity.

The Mogollon document has produced reactions:

[Begin recording] [Reporter] How would you describe Mogollon's statement?

[Accusation Committee member Roberto Herrera] It is well prepared. It is the product of a lengthy four-month investigation. The committee is just beginning to study it.

[Reporter] Do you think Dr. Mogollon's statement is suitable?

[Accusations Committee member Octavio Zapata] I think it is a really important statement.

[Reporter] Is it suitably backed?

[Accusations Committee member Octavio Zapata] Yes, of course.

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[Accusations Committee member Mario Rincon] We are just analyzing the entire investigation. That's all.

[Representative Maria Paulina de Espinosa] In my opinion, rushed decisions are dangerous. According to statements I heard this morning, the deputies who went to the committee did not have the document yet, and I understand the document has 72 pages.

[Jaime Arias, president of the Conservative Party Directorate] The country was prepared for Dr. Mogollon's document, so it has surprised no one. Besides, it would be very difficult to find any evidence against the president.

[Prosecutor General Alfonso Valdivieso] This does not affect in any way the decisions of the Prosecutor General's Office. These are completely independent processes. [end recording]

Accusations Head: Evidence Against Samper Lacking

PA1212020595 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 12 Dec 95

[Report by Orlando Guerrero from the site of the Accusations Committee meeting in Santa Fe de Bogota; in the "Seven O'Clock News" newscast]

[FBIS Translated Text] There is a sense of expectation here, while we wait to know the decision of the seven members of the Accusations Committee regarding the case of President Ernesto Samper. We already know the position presented by Heyne Mogollon to the Accusations Committee on this case.

Just as we had predicted last week, Heyne Mogollon does not believe there is enough merit to justify a continuation of investigations against President Samper.

In the definitive part of his two-page statement, Heyne Mogollon states: Having as evidence only the testimony provided by Santiago Medina, treasurer of the Samper campaign, and considering the legal flaws that have been pointed out, it is legally impossible to warrant a simple legal measure, much less an investigation, against the president of the Colombian people.

In this decision, Heyne Mogollon states that it is preferable to adopt a cautious position, which would be expressed with a inhibitory resolution, which is what Heyne Mogollo has recommended to the members of the Accusations Committee who have investigated President Ernesto Samper for 4 months and 16 days.

I am at the Accusations Committee. We are waiting for the seven members to announce this evening or in the next few hours a decision on a case that for months has held the Colombian people in a state of expectation.

Anti-Extortion Unit Rescues UK Diplomat Held by FARC

PA0912044595 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0130 GMT 9 Dec 95

[From the "AM/PM Newscast"]

[FBIS Translated Text] The police's UNASE [Anti-Extortion and Kidnapping Unit] group today rescued a British diplomat whom the FARC [Revolutionary Armed Forces of Colombia] kidnapped five months ago.

Tim Cowley, a sergeant in the British Navy, was kidnapped on 18 August in Tolima Department while hunting tropical birds. The police's UNASE group rescued him near Cajamarca, Tolima Department, today.

The FARC was demanding $2 million in ransom for his release. Tim Cowley is an aide to the military attache of the British Embassy in Colombia:

[Begin Cowley recording] I was very concerned for weeks about my life, but I was even more concerned about my family's [word indistinct]. I believe they were asking for something like $2 million. [end recording]

No one was arrested during the operation. The UNASE group has continued its operations in this area of Tolima Department.

Ecuador

Minister Confirms Purchase of Israeli Kefir Aircraft

PY1212015495 Madrid EFE in Spanish 1842 GMT 11 Dec 95

[FBIS Translated Text] Quito, 11 Dec (EFE) — Ecuadoran Defense Minister Alfonso Alarcon confirmed today the purchase of four "Kefir" aircraft from the Israeli Government to "replace" the aircraft that were discharged by the local Armed Forces, but denied that this could mean the beginning of an arms race.

Alarcon today told the press: "The Ecuadoran Armed Forces will do the minimum essential to maintain a deterrent force and also to replace any equipment for which some given reason is discharged.

He explained that his government, headed by conservative President Sixto Duran-Ballen, "is not involved in any arms race, and this is logical, because we cannot do so because of (the country's) economic situation and also because of the situation in the region."

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Ecuador and Peru had engaged in an undeclared war between 26 January and 28 February 1995, due to a territorial dispute over a stripe of their common Amazon border, and for the time being they are respecting the peace agreement that ended it.

Minister: Devaluation of Sucre Not Allowed

PY1112143695 Madrid EFE in Spanish
2337 GMT 8 Dec 95

[FBIS Translated Text] Quito, 8 Dec (EFE) — Ecuadoran Government Minister Xavier Ledesma said today the government will not allow the devaluation of the sucre or variations in the exchange rate band, adding that measures will be implemented to return liquidity to the financial system.

Ledesma said that "the exchange rate band" as approved by the government last October, which allowed a devaluation of the sucre to force interest rates to drop, "will be maintained."

He added that new government measures include the injection of 700,000 sucres (about $250 million) into the financial system, and the creation of a fund to solve liquidity problems of small financial institutions in face of the alarming bankruptcy of several of these institutions in the past few days.

Finance Minister Ivan Andrade reiterated that there is no reason for the financial sector to be nervous. He said the assets of the financial sector are protected because "there is a capitalization of $2 billion in banks" and the equivalent of $125 million in the financial companies, as reported today by the State Communications National Secretariat.

Andrade said proof that the financial system is solid can be confirmed in that our international monetary reserves stand at about $1.6 billion.

Leadesma said: "1995 was a difficult year for Ecuador and for the government." He thus referred to the crisis affecting the country, which started with the military conflict with Peru early this year.

Over the past few months Ecuador has experienced a political crisis that lead to the escape of ex-Vice President Alberto Dahik, who faces criminal proceedings over the illegal use of vice presidential discretionary funds, and an unprecedented energy crisis.

Ledesma emphasized the need to restore confidence in the government administration and warned against "people who without reason want to create a new political crisis." He said they "conspire against a democratic renewal."

He called on the people to contribute to democratic stability. He criticized demands for the creation of a constituent assembly, for "resignations that will not occur," and for trying to involve President Sixto Duran-Ballen "in a trial that has nothing to do with him."

Peru

Subversive Commando Frees 8 Shining Path Leaders

PY0812232895 Madrid EFE in Spanish
1646 GMT 8 Dec 95

[FBIS Translated Text] Lima, 8 Dec (EFE) — Eight leaders of the Shining Path [SL — Sendero Luminoso] terrorist organization were liberated by an SL commando that attacked a police vehicle that was taking the SL leaders from the central mountain region to Lima.

According to LA REPUBLICA, the attack occurred at the border between Huanuco and Pasco departments, northeast of Lima. One policeman was seriously wounded.

The eight SL leaders, who were arrested last week in the Upper Huallaga coca growing region, were being transferred in a police truck under the custody of 20 policemen from Huanuco, where they were being held in a prison believed to be unsafe, to a high-security prison in Lima.

According to the daily, the police vehicle was attacked from two pick-ups by an SL commando of about 20 men in the early hours of 7 December.

The shoot-out lasted one hour, and the SL commando was able to rescue the eight leaders and escape in the two pick-ups.

The daily said that more than 100 soldiers and policemen are pursuing the terrorists.

It is believed that the SL members escaped into the hills of Daniel Carrion Province, Pasco Department.

Police Capture Alleged Highest SL Leader in South

PY0812233095 Buenos Aires TELAM in Spanish
0159 GMT 8 Dec 95

[FBIS Translated Text] Lima, 7 Dec (TELAM-SNI) — The Peruvian Police captured a man believed to be the highest Shining Path [SL] leader in the southern part of the country, said General Eduardo Onofre Tirado, police chief of Arequipa, today.

The SL leader, who was identified as Heiden Quispe Gamarra, was captured in Tacna, at the Chilean border, where he was hiding.

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General Onofre said that Quispe was using false names to prevent his identification and that he was captured after several months of investigation and follow-ups on several leads.

General Onofre told the national news agency ANDINA that Quispe was the highest political-military leader in southern Peru.

Quispe is accused of leading several attacks that caused victims and damage in the southern region.

General Onofre added that after the investigation concerning Quispe concludes, he will be put under the jurisdiction of the court in Puno, southeastern Peru, which is already processing approximately a dozen cases.

Opposition Rejects Minister's Report on Apartments Case

PY0912015495 Madrid EFE in Spanish 1956 GMT 8 Dec 95

[FBIS Translated Text] Lima, 8 Dec (EFE) — Opposition sectors of the Peruvian Congress said today that the report given by Interior Minister General Juan Briones on the assignment of apartments confiscated from drug traffickers to chiefs of the National Police is "unsatisfactory."

In his report to Congress, which was approved by the government majority, General Briones said that the assignment of the apartments was made in accordance with the antidrug law, and that the apartments were assigned to the command of the eight police departments "for security reasons" due to the threats from terrorists and drug traffickers against the Police high command.

The case of the "narco houses" appeared three weeks ago in a Lima television political program that reported the apartments were used illegally by eight generals of the National Police.

Briones said before the plenum of Congress that the television report was a "distorted" version and that the Interior Ministry and the National Police acted in this case "quite clearly, without a desire to deceive or to violate the law, but for security reasons."

Congressman Henry Pease of the opposition Union for Peru Movement (UPP) said: "The people should realize that the government, Minister Briones, and the congressional majority support the corruption resulting from the 'handing out' of the 'narcodepartments'."

Antero Flores Araoz of the conservative Popular Christian Party (PPC), which is also in the opposition, said the report was "unsatisfactory" and that the assignment of the apartments can be considered a "crime of administrative embezzlement."

Congressman Rafael Rey of the Renewal Movement and leftist Javier Diez Canseco asked for the resignation of Victor Alva, general director of the National Police, for having accepted the assignment of one of the apartments confiscated from drug traffickers.

Finance Minister Explains Debt Repayment Schedule

PY1112232195 Lima EXPRESO in Spanish 27 Nov 95 p A24

[FBIS Translated Text] In a partial response to a recent question by former Minister Carlos Bolona Behr concerning the total amount of the Peruvian debt to private creditor banks, current Economy and Finance Minister Jorge Camet told Congress on 25 November that the principal of the debt by 30 December 1994 amounted to $4.4 billion; and that $3.1 billion of that debt corresponds to medium-term credits, $630 million to short-term credits, and $680 million to suppliers.

He explained further, nowever, that within the next few days the Peruvian Government will have to reconcile the amount of interest with each one of the 250 banks (it is believed that it will sign 650 contracts) because each one has made its own calculation.

Camet said: Right now we have estimated an overall interest figure amounting to $6.16 billion, which "could increase based on the closing date of negotiations, and could be reduced if we take into account the dates when the payment of interests was severed."

He added that the banks have agreed that calculations be made with a single interest rate, which will be applied both to the principal and to the interest. This is the Libor [London Interbank Offered Rate] at six months plus a 13/16 percent rate.

The elimination of any punishment has also been accepted, reaching an agreement that interest on interest will have an initial capitalization that will be applied only once to an exceptionally low rate of 2.5 percent.

Minister Camet also outlined early on 25 November the amount of disbursements and the timetable of payments to which Peru is committed with the creditor banks within the framework of the Brady Plan.

Thus the country will begin paying — from 1997 to the year 2001 — a total of $300 million per year.

Then the second stage will begin, which will be from 2002 to 2017, during which the payment will be increased to $550 million per year. Later, as of 2018, Peru will again pay $100 million yearly until the end of the deadline to redeem the Brady bonds. According to

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what was agreed upon, Peru will also have to pay 0.5 percent of the principal quarterly.

Concerning the initial payment of the Brady Plan, which represents $1.2 billion, it is covered by resources of the Inter-American Development Bank, the IMF, the World Bank, and the Eximbank of Japan. This latter bank will reportedly grant $800 million while the Latin American Reserve Fund (FLAR) and other credit organizations not mentioned by the minister, will disburse some $400 million.

The initial cost of the Brady Plan includes the payment of interests for $225 million, plus a possible repurchase of the debt for $650 million.

Concerning any future repurchase of the debt, Camet explained that "it is an option of the Peruvian Government to implement it or not, although if not consolidated it would be done through a Netherlands bidding."

He said that the repurchase will be done only if a reduction of a debt greater than that obtained through the bonds is achieved, which as is known, allowed a discount of 45 percent on the principal.

Venezuela

Finance Minister Announces Bolivar Devaluation

PA1112214195 Caracas Venezolana de Television Network in Spanish 1745 GMT 11 Dec 95

[News conference by Finance Minister Luis Raul Matos Azocar with foreign and domestic correspondents at the Ayacucho Room in Miraflores Palace in Caracas on 11 December, moderated by unidentified official — live relay]

[FBIS Translated Text] [Matos Azocar] As part of the actions contemplated in the Venezuela Agenda, which defines the government's firm determination to advance rapidly toward the economic recovery of the country and definitively reduce the scourge of inflation, the Council of Ministers, in today's session, decided to authorize the finance minister to modify the Foreign Exchange Agreements No. 1 and No. 2 with the Central Bank of Venezuela [BCV]. These exchange agreements deal with the importation system within the exchange system and the system governing the exchange rate for travelers.

In both cases, we have decided to establish a new exchange rate set at 290 bolivares to the U.S. dollar. This authorization granted by the Council of Ministers is part of the coordinated monetary, fiscal, financial, and exchange actions contemplated in the Venezuela Agenda for the Economic Recovery of the Country, and also within the set of incentives to production, both in the agriculture and business sectors also contemplated by the Venezuela Agenda.

Several sectors of the country — political sectors — have expressed, regarding the conversations we are holding with multilateral organizations, their willingness to cooperate with us to implement this set of measures, leading to a rapid economic recovery... [11-second break in reception] a space of dialogue for the total benefit of the country.

On the other hand, in the conversations we are holding with multilateral organizations, including the IMF, regarding the fiscal measures, which are a key part to definitively... [12-second break in reception] that will permit us to reduce the deficit amounting to 7.5 percent of the GDP... [3-second break in reception] have already reached an accord on a target of no more than 3 percent of the GDP for 1996. Some of those measures, in addition to the ones just revealed, have been submitted to Congress for discussion when the session period resumes. They include an additional contribution of 400 billion bolivares to Venezuelan Petroleum Inc., PDVSA, in 1996, adjusting its operational spending. This will also result from benefits derived from these exchange rate decisions.

We are also perfecting for discussion in Congress the modification of the Tax Code. We want to force large tax evaders to fulfill the law and prevent the massive income tax evasion that has characterized the country so far. The government is, thus, materializing its political determination to demand that those who have more contribute more to overcome the crisis.

On the other hand, regarding spending, we have also agreed to reorganize the public sector and reduce the amount of resources earmarked by the government historically for state-owned companies. This will be done by expediting, as the president of the Venezuelan Investment Fund stated, the privatization of a set of companies, including the aluminum companies, forestry concessions, as well as the project to privatize the remaining government-held stock in the National Telephone Company of Venezuela, CANTV, in 1996.

The flow of foreign investments, which will result from the above decisions, and the definition of this economic framework to facilitate trade between Venezuela and the rest of the world will permit us to increase the economic activities of the country and job generation.

On the other hand, as part of the measures of the Venezuela Agenda, we contemplate the creation of a financial pool so that the Industrial Bank, SOGAMPI [expansion unknown], Corpoindustrias [Corporation for the Development of Small and Medium-Sized Industry]

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and all those companies providing financing to small-, medium-sized, and micro-businesses act in a coordinated manner to provide resources to these companies that generate products, services, and jobs.

[Matos Azocar] The government has also decided — because it is part of its specific characterization — to strengthen a group of social programs, making priorities out of those that generate better incomes for families; medicine supply programs such as the Sumet [expansion unknown]; the cooperative supply system whereby food and other products reach the different sectors of the population at reasonable prices; programs to train youths; and quick sources of employment such as construction, the repair of schools, hospitals, and buildings that allow the prompt employment of non-qualified labor.

Meanwhile, I would also like to announce that we have already planned measures — which will be discussed at upcoming Council of Ministers sessions —to prevent outbreaks of speculation with this new parity exchange rate because, on one hand, the new rate was awaited by most of the people and by the economic agents, and on the other because we believe that most businesses have adjusted their prices to the exchange rate level.

Agenda Venezuela, as I have pointed out, is an overall and coherent program that contemplates political, economic, and social issues for the country's prompt recovery, with emphasis not only on economic growth but on the generation of jobs and the eradication of poverty.

It is our intention — we agreed to it during our talks with the multilateral organizations — to raise social spending from 0.5 percent of the product to 2 percent of the product. [These funds] will be channeled to the priority programs I have pointed out.

Meanwhile, I wanted to say that the spirit of cooperation, our daily efforts, and the strategy of selective openness, are guiding us toward growth, the generation of jobs, and the definite abolition of inflation. On Wednesday when I travel to Washington to meet with Messrs. Enrique Iglesias and Camdesus, I will reopen our talks with the IMF, because we also feel that the measures we are implementing within the framework of the Agenda, which we already presented to them on one occasion, are helping to step up the effort to reach a definitive agreement.

[Moderator] [name indistinct] Sanchez of Globovision.

[Sanchez] [question indistinct]

[Matos Azocar] Yes. The government will not implement any administrative measures with regard to the Brady bonds. I have said — and theory and reality has proven it — that this is a market that has strong speculative traits. You saw how the Brady bonds suddenly dropped. However — and this is very important — we also believe that we must implement measures to restore the flow of foreign currency through the exchange system for importers, so that everyone can have access to the foreign currency they need. We will thus decrease pressure on the Brady bond market and the brady bonds will coincide with the established rate.

[Sanchez] [question indistinct]

[Matos Azocar] That is correct.

[Moderator] Teresa Lomeli of Televen has the floor.

[Lomeli] [question indistinct]

[Matos Azocar] First of all, although some analysts predicted that we were on our way to hyperinflation in 1996, I can remember that early in 1995 I pointed out that inflation would be approximately 50 percent. According to our calculations, even though the prices of certain prices will be adjusted, inflation will not surpass 60 percent in 1995. At its forthcoming meetings the Council of Ministers will study the matter and the minister of the sector in question will announce measures to prevent an outbreak of speculation. I believe that most companies for some time have priced their products at the level of the exchange rate we are currently using as an exchange parity rate.

[Moderator] Elena Irazu of Venevision has the floor.

[Irazu] Did the government decide on this measure or was it proposed by the IMF?

[Matos Azocar] If you go over the Venezuela Agenda and the measures that are contained there, you will see they talk about the need to create well-organized conditions to lift the exchange regimen during the first quarter of 1996. One of the first measures that must be taken in a process of this kind is the adjustment of the exchange rate. I will meet with IMF technicians to tell them that the Venezuelan Government believes it is prudent to initiate the process with these measures even though we have not reached any agreement with the IMF.

[Moderator] Pedro Garcia Otero from EL UNIVERSAL.

[Garcia Otero] [Words indistinct]

[Matos Azocar] First of all the measures, especially as far as their temporary nature is concerned, are part of a process leading to the direction we are aiming for, the easing of the exchange regimen until we can totally open it up during the first quarter of 1996. Moreover, as for permanent aspects, we are not going

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to be playing with the exchange rate. We believe it is a measure that definitely fixes and stabilizes the exchange rate. Elements of the exchange control regimen are maintained until we make the final decision to lift the system. In addition, in the next Council of Ministers, we are going to take measures in keeping with guidelines to ease the exchange regimen. This will help foreign investors in the exports field, who are waiting to participate in certain projects in the country so they can maintain accounts abroad just as the companies participating in the oil industry opening have done. This will allow them to make dividend and debt payments. They will use this new exchange rate system to cover their operational costs. This is part of the effort to ease the exchange regimen in the Venezuela Agenda.

[Moderator] Ivo Hernandez from Radio Capital FM 104.5.

[Hernandez] I have a question, minister. I was thinking about the [words indistinct]. You speak of 290 until the exchange control regimen is lifted. How are you going to handle skyrocketing rates? How are you going to handle the financial situation, parallel to all of this situation? That is one question. Also, what are you going to do with the extra money that will result from that difference between 170 and 290 in the country? Where are those revenues going to go?

[Matos Azocar] Okay. First of all, we held talks with the IMF in which we initially talked with IMF technicians about the need to rapidly, immediately attain positive interest rates. I want to tell you that the IMF technicians themselves are reviewing this position and we are talking about progressive mechanisms that can allow us to move on to positive, real interest rates. In addition, since we are not yet lifting the exchange regimen as such, we do not feel there can be any pressure on the interest rates because of this measure. On the contrary, it will benefit the future implementation of real, positive interest rates. As for the other question on what we would do with the additional revenues, I believe this proves the government right when in the presentation of the budget, we pointed out that we would earn additional savings both in oil prices and in exchange rate matters. In talks with Congress, we said these savings could be assigned to the budget to resolve problems of top priorities. In the bill we submitted to Congress, we noted three fundamental priorities: Payment of the debt, investment expenditures, reallocation of funds to break the curve showing a drop in expenditures, and increasing social expenditures. These are the priorities we have defined according to what I have pointed out today.

[Moderator] Here is Vivian Sequeda, of AP.

[Sequeda] Good afternoon, Minister. I would like you to clarify to us again whether this is a fixed rate. Second, considering that the accumulated inflation rate, since the entry into force of the exchange control until now, is higher than 80 percent, don't you believe that the bolivar is still overvalued? Third, I also would like to know: To what extent do you believe you will be able to strengthen the international reserves, and what will be the situation regarding the foreign debt payments?

[Matos Azocar] First — and this might be the most important aspect — I will tackle your question on the inflation rate. When we made this forecast, we did not only consider the inflation rate for 1995 — which ranged between 55 and 60 percent and may vary within these parameters — but we went back as far as July 1994. In other words, we believe we have updated the exchange rate by incorporating the inflation rate registered from July 1994 to the present time to prevent overvaluing the bolivar, which will greatly boost our exports. This is the conclusion we have reached with all the experts who worked jointly with us.

Concerning foreign debt payments, as you know, whenever a devaluation takes place, there is an increase in the amount required in bolivares to pay off the foreign debt. However, the Treasury sees exchange benefits. In addition, if we compare what we earn from the exchange adjustment and the amount we must pay to service the debt, we are still seeing an increase in Treasury revenues with a positive balance.

[Sequeda] The exchange rate of 170 bolivares per dollar no longer exists; now, it is 290 bolivares per dollar.

[Matos Azocar] There is no dual exchange. We have discussed this. There will only be a fixed rate, that is, 290 bolivares per dollar. As a result, even the dollar rate available to travelers, which was based on the Brady bonds, will be, according to Exchange Agreement No. 2, 290 bolivares per dollar.

[Moderator] Here is Hilda Lopez of the newspaper EL CARABOBENO.

[Lopez] How will this new devaluation affect the wages earned by Venezuelans? Are there any plans to implement a new general increase in wages and salaries for public workers?

[Matos Azocar] Any measure will be adopted in due time. When we told President Caldera about the conclusion of the congressional activities, he stressed the positive course being followed by the talks on social benefits. When the time is appropriate, the measures to complement the family income will be explained. I have already discussed some of those measures here. What I do want to tell you and the country in general is that

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we believe that with these harmonious, consistent, and integral measures being adopted as part of this process of selective opening of the Venezuelan economy, we are guaranteeing a rapid economic recovery in 1996, as well as the generation of jobs and an increase in family income. This will enable people to compensate for any temporary price hikes that might take place.

[Moderator] Many thanks to all reporters.

[Unidentified reporter] When will this come into force?

[Matos Azocar] After I leave here, I will sign an agreement with the Central Bank [of Venezuela].

[Reporter] What about the international reserves?

[Matos Azocar] I forgot to mention that in estimating revenues for 1996, we use an oil price of $13.5, and if you have been following the oil market, you must have realized that a speedy and positive trend in oil prices has been observed. Therefore, we are very optimistic that Venezuela will not have any problem — as we said at the beginning — regarding international reserves. It is very different to adopt a measure such as the one we are adopting with an international reserves level above $9 billion than adopting a measure of this sort — as other governments have done — with negative or practically no reserves. These are two entirely different situations as a point of departure for the economic recovery.

Party Representatives Comment

PA1212035895 Caracas Venezolana de Television Network in Spanish 0200 GMT 12 Dec 95

[FBIS Translated Text] The exchange rate adjustment announced by the finance minister will be supported by the political parties only if it forms part of a comprehensive economic program. This was confirmed by reporter Milensky Oropeza who talked to some party representatives.

[Begin recording] [Oropeza] While Leopoldo Puchi, secretary general of the orange party [Movement Toward Socialism — MAS], described the measure as an overdue but necessary measure, Democratic Action [AD] spokesman Aristides Hospedales said the measure should not be isolated from all the economic decisions the executive must make.

[Hospedales] In this regard, we will wait to obtain the official information from the finance minister and the government so that we can adopt a position. We must see the repercussions this measure will have on the country's economic life.

[Puchi] This will form part of the collection of measures of the economic recovery program announced to the country within the framework of the Venezuela Agenda. Viewed this way, we believe it is a step in the implementation of a macroeconomic adjustment that had been requested by the entire country.

[Oropeza] Meanwhile, at the headquarters of the white party [AD], National Secretary for Organization Lewis Perez confirmed that in the next few weeks, AD will introduce an analysis request at the Supreme Electoral Council, because it does not support the results in the past elections in Zulia State.

[Perez] We respect whoever wins, but we also want to be respected when we win.

[Oropeza] The AD national secretary for organization also said his party is moving forward with the creation of a special verification commission for the elected governors and mayors. The names of the commission members will be announced in the near future. [end recording]

Copei Views as 'Harmful Measure'

PA1212043095 Caracas Venezolana de Television Network in Spanish 0200 GMT 12 Dec 95

[FBIS Translated Text] The executive's decision to devalue the currency by 70 percent shows the government's manipulation of the economy for electoral purposes. This was stated by the National Committee of Copei [Social Christian Party], which through its spokesman, Donald Ramirez, made known its position on the new exchange rate adjustment. Ramirez added that his organization considers this to be an isolated and harmful measure, which only seeks to permit the executive to promulgate a highly inflationary budget. He also said Copei will continue to make known to the country the true economic and fiscal situation, which will not be resolved with limited measures.

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